CREDAI NATIONAL CAPITAL REGION (NCR)

CII Confederation of Indian Industry

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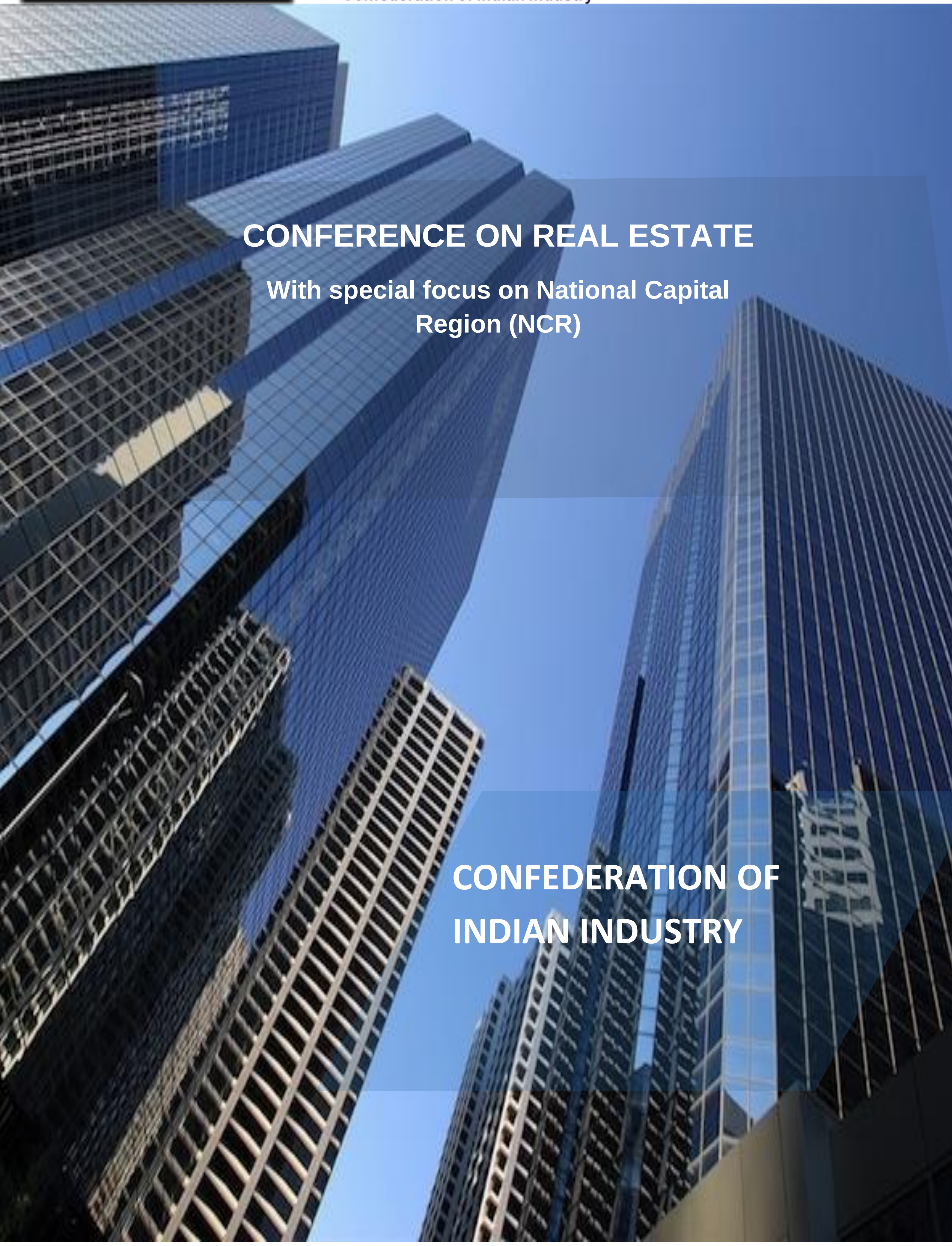
CONFERENCE ON REAL ESTATE

With special focus on National Capital Region (NCR)



CONFEDERATION OF INDIAN INDUSTRY

CREDAI NATIONAL CAPITAL REGION (NCR)

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resurgentindia

Mr Rohit Raj Modi

Officiating President
CREDAI NCR

Dear friends,

At the onset, my heartiest congratulation to CII, Resurgent India and CREDAI NCR for organizing this seminar.

It has been acknowledged that the Real Estate has potential to be a generator of multiplier effect in the economy. More than 250 manufacturing industries are part of supply chain for the Real Estate Sector. Hence, it is imperative upon the policy makers to ensure a smooth and continuos growth of this sector.

The new Government under the leadership of Hon. Prime Minister Shri Narendra Modi has given a call of **"Housing for all by 2022"**.This vision of the PM has fired the spirit of all the stakeholders. We, at CREDAI firmly believe that it is achievable and move so , must be achieved for any decent society.

For the first time, we saw that the Finance Minister in his maiden budget speech laid emphasis on Real Estate. It has been very heartening for all of us at CREDAI to see that Government has recognised the need for housing for all and has acknowledged the potential that Real Estate has the economic regeneration of our country.

We all know that there are several policy issues which hold back creation of housing at affordable cost, at state and central level. We are confident that the new Government , with it's positive energy shall work towards solutions so that the vision of **"Housing for All"** can be achieved.

Best regards,

Rohit Raj Modi
Officiating President - CREDAI NCR

Mr Arjun Wallia

Chairman, CII Delhi State Council & Group Founder & Chairman, The Walsons Group & Securitas India

An exhilarating and eventful year is going on at Delhi State Council of the Confederation of Indian Industry (CII). This period also coincided when New Delhi crossed the important milestone of a 100 years of its existence.

This era had a special significance for the government, business and the citizens in the region. In all our activities, we had the fullest support from Government of NCT of Delhi and their officials.

The city has now expanded to include what is broadly called the National Capital Region that has also the adjoining satellite cities of Noida, Greater NOIDA, Gurgaon, Neemrana. In the post liberalization phase, especially in the last one decade, New Delhi has acquired greater importance as one of the emerging cities of the world and the second largest metropolis in India. Its traditional role and importance as the administrative and political capital of the nation has only been enhanced. In recent years, the city landscape has undergone far-reaching changes. Today, it has also emerged as one of the important business hubs in the country with unprecedented infrastructure developments.

It was in this context that we chose the theme of this Conference; to deliberate on this vision and prepare a road map for the future in this region. We have put together a series of sessions that I hope will throw up rich ideas and insights. The conference will help provide an integrated development in the region together with retail and real estate development by bringing together the stakeholders involved and addressing the challenges being faced by the industry. These issues stretch from real estate inefficiencies, infrastructure bottlenecks, regulatory impediments and industry constraints.

I believe that this is an excellent resource that gives an understanding of NCR's real estate canvas that give us indicators on how we may progress in our path to achieve the grand vision.

We hope you find this document useful and have good deliberations during the Conference.

Mr Arjun Wallia

Chairman, CII Delhi State Council & Group Founder & Chairman

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Mr. Jyoti Prakash Gadia
Managing Director & CEO
Resurgent India Limited

Real Estate is one of the key drivers of GDP. A growing real estate sector provides a fillip to various other industries which leads to the growth of such industries as also provide employment in such industries. It is estimated that by 2025 the direct and indirect employment generated by this sector would be 17.2 mn. This sector is a favourite of investors globally.

Despite these positives the sector faces numerous hurdles and challenges some of which are land acquisition, regulatory approvals, cyclical nature of business and raising finance for funding new projects.

The funding issue gets further complicated since as of now banks are reluctant to fund real estate projects, there is lack of project cash flow management, high cost of borrowings, lack of structured debt products etc. As per a study 83% of the capital requirement is met by banks, 15% by FDI & PE and 1% each by NBFCs and others. When such an important avenue of funds gets difficult to access the problems of the sector are hugely aggravated.

Some of our findings are:

→ In a construction cost of Rs. 100 the share of various components is: Iron and Steel 34%, Cement 28%, Bricks 7%, Glass 2%, Sand 3%, Wood 14% and Others 13%.

→ The employment potential (direct & indirect) in this sector is expected to go from 8.6 mn in 2015 to 17.2 mn in 2025.

→ The real estate sector is the favourite for investors globally.

→ The estimated average return for the period 1991-2014 for real estate is 20%, 15.5% for equity, 10.90% for gold, 9.70% for government securities and 8.80% for bank fixed deposit.

→ The real estate sector has the highest leverage ratio at 22.63 amongst different industries.

→ The exposure to real estate (CRE & Housing) was 11.72% of gross credit of banks.

Jyoti P Gadia
Managing Director
Resurgent India Limited

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INDIA MACRO ECONOMIC OVERVIEW

The Indian economy after registering a robust growth of more than 9 per cent during the period 2005-08, moderated to a growth of 6.7 per cent in 2008-09 on the back of the global financial crisis. As a result of timely stimulus in fiscal and monetary space, the economy managed to recover quickly to a growth of 8.4 per cent in 2009-10 and 2010-11. Since then, however, the fragile global economic recovery and a number of domestic factors have led to a slowdown once again. Data released by the central statistics office (CSO) showed the economy grew by 4.7% in 2013-14, shade below the original estimate of 4.9% but slightly above the 4.5% growth in 2012-13.

The country's economy expanded by 4.7% in 2013-14, the second successive year of sub 5% growth hurt by policy delays, high inflation and the global slowdown but the election of new government has triggered hopes of a revival in growth and sentiment in the months ahead. The Manufacturing sector continued to remain under stress, declining 0.7% Y-o-Y in 2013-14 compared with 1.1% growth 2012-13. Growth in 2013-14 was helped by a smart rebound in the farm sector which grew an annual 4.7% compared with a 4.5% expansion in the year earlier period. Going ahead, service sector, after achieving double-digit growth continuously for five years and narrowly missing double digits in the sixth (between 2005-06 and 2010-11), the growth rate of the services sector also declined to 8.2 per cent in 2011-12. The segment grew 12.9% in 2013-14 compared with 10.9% in previous financial year.

The reason behind, economic slowdown despite a strong recovery from the global financial crisis is firstly, the boost to demand given by monetary and fiscal stimulus following the crisis was large. The result was strong inflation and a powerful monetary response that also slowed consumption demand. Second, starting in 2011-12, corporate and infrastructure investment started slowing both as a result of investment bottlenecks as well as the tighter monetary policy. Thirdly, even as the economy slowed, it was hit by two additional shocks: a slowing global economy, weighed down by the crisis in the Euro area and uncertainties about fiscal policy in the United States, and a weak monsoon, at least in its initial phase.

The consequent slowdown, especially in2012-13, has been across the board, with no sector of the economy remaining unaffected. Falling savings without a commensurate fall in aggregate investment have led to a widening current account deficit (CAD). Wholesale price index (WPI) inflation has been coming down in recent months. However, food inflation, after a brief slowdown, continues to be higher than overall inflation. Given the higher weightage to food in consumer price indices (CPI), CPI inflation has remained close to double digits. Another consequence of the slowdown has been lower-than-targeted tax and non-tax revenues. With the subsidies bill, particularly that of petroleum products increasing, the danger that fiscal targets would be breached substantially became very real in the current year. The situation warranted urgent steps to reduce government spending so as to contain inflation. Also required were steps to facilitate several measures announced in recent months are aimed at restoring the fiscal health of the government and shrinking the CAD as also improving the growth rate. With the global economy also likely to recover somewhat in 2015, these measures should help in improving the Indian economy’s outlook for 2014-15.

The long-term policy of the country is to achieve inclusive growth. The current developmental problem facing India is exacerbated by the changing demographic profile of the country. The number of unemployed will be a large number of which the proportion of the educated youth will be the largest. Therefore, the need for strong, accelerated economic growth is now much more acute than ever.

India’s economic growth has been led by the services sector in the last decade, particularly owing to the growth in Information Technology (IT) and Business Process Outsourcing (BPO) industries. The manufacturing sector’s importance has grown in the recent years with the advancement in its output. The sector offers huge potential for employment creation. Moreover, the importance of Micro, Small and Medium Enterprises (MSMEs) in the growth process is considered to be a key engine of economic growth in India in the years ahead.

Real Estate Sector:

The year 2014 was not good for the Indian real estate sector on account of weak macro-economic conditions and lower confidence levels in the country. Rising inflation combined with high borrowing rates as well as slow growth in income and job levels impacted the consumer spending. Banks' reluctance to lend to the sluggish real estate sector and drying up of other sources of finance such as FDI and PE investments resulted in increase in cost of debt for the developers. On one hand, there was a steep hike in EMIs that the buyers had to bear and on the other hand there was an increase in costs of construction and debt for the developers. On account of the subdued sentiment and cautious sentiment in FY 14, housing absorption showed negative growth and this resulted in high inventory levels. The vacancy rates have increased and the rental prices have remained stable /reduced in most of the cities. However, with a stable Government at the centre, there is now more optimism in the country and times have changed for the better in 2014-15.

Indian Real Estate Market Trend:

The Indian real estate sector is one of the fastest growing and globally recognised sectors. The growth rate of the industry is at a compound annual growth rate (CAGR) of 19% for the period 2010–2014, with Tier I metropolitan cities contributing to almost 40% of this growth. The total realty market in the country is expected to touch US$ 180 billion by 2020.

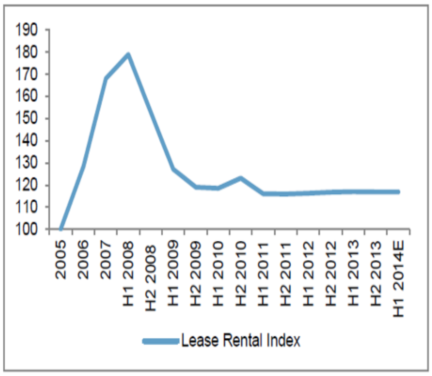
It comprises four sub sectors-housing, retail, hospitality, and commercial.

Housing or Residential Real Estate:

In 2013, high interest rates and sticky inflation continued to exert pressure on demand across the 10 major cities (Mumbai, NCR, Bengaluru, Kolkata, Chennai, Hyderabad, Pune, Ahmedabad, Chandigarh and Kochi) as potential buyers remained in a wait-and watch mode. Consequently, new home bookings declined year-on-year across all cities barring Pune and Bengaluru. Average capital values too grew by a tepid 4-5 per cent y-o-y, mainly led by a rise in the first half. In the latter half of the year, capital values remained stable or declined marginally over the first half.

Commercial Office Space:

Lease rental index (for commercial office spaces in 10 major cities)



*Excludes Ahmedabad since transactions happen on outright basis

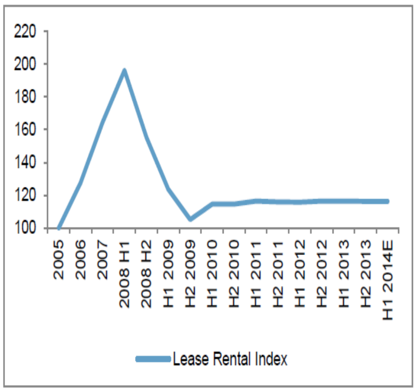
Note: Indexed to 2005; E- Estimated

Source: CRISIL Research

During the global economic slowdown in 2008-09, demand for commercial office space, especially from the IT/ITeS and BFSI sectors, plummeted causing average lease rentals to fall by 25-30 per cent between the first half of 2008 and the second half of 2009. In subsequent years, average lease rentals in the 10 major cities have moved sideward, barring a few micro markets which have recorded a rise or a fall. Demand gained momentum briefly in the first half of 2011, but high vacancies restricted a sharp rise in lease rentals. Weak demand has also slowed down execution of many projects. Currently, lease rentals in almost 90 per cent of micro markets in the 10 major cities are 25-30 per cent below peak levels seen in the first half of 2008.

Retail Real Estate:

Lease rental index (for retail spaces in 10 major cities)



Note: Indexed to 2005; E- Estimated

Source: CRISIL Research

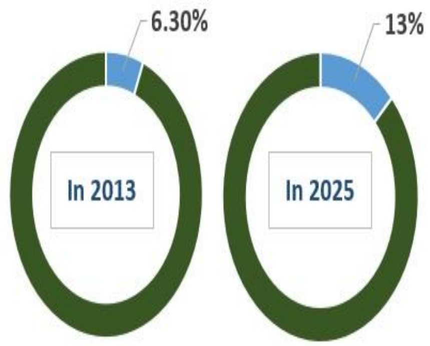
Post the 2008-09 slowdown, demand for retail real estate space was weighed down by the prevailing oversupply. Since the first half of 2010, lease rentals in the 10 major cities have also remained flat owing to the vacancies, failing to breach peak levels seen in the first half of 2008.

NCR to see maximum additions in mall space during 2014 to 2016:

Of the total 70 million sq.ft. of planned retail real estate space, CRISIL Research only 27 million sq.ft. to come up during 2014 to 2016. In other terms, about 90 malls out of the total planned 168 malls are likely to be operational by 2016, of which 39 malls are expected to be located in the NCR.

Real Estate Sector an Emerging Asset:

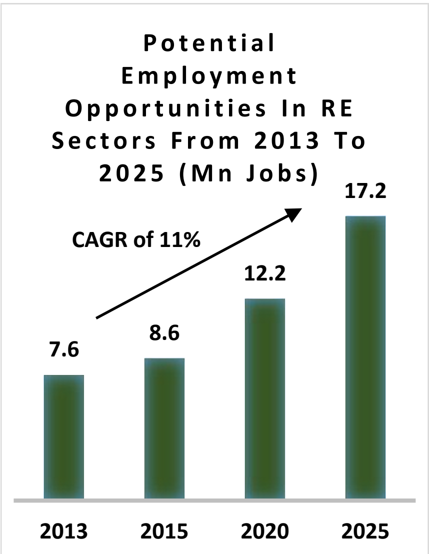
Share of the Real Estate Sector in India's GDP from 2013 to 2025



Source: CBRE Research, CREDAI

Real estate sector has been one of the most important growth drivers in the Indian economic growth. According to the Economic Survey of India, 2012-13, the real estate sector contributed 6.3% of the India's total GDP. The economic contribution of the real estate sector is projected to increase significantly during the period from 6.3 in 2013 to almost 13% in 2025.

This spiralling of growth can be attributed to the significant construction opportunities offered by the housing sector, largely accentuated by the intensifying demand for residential space in the expanding urban limits of our cities.

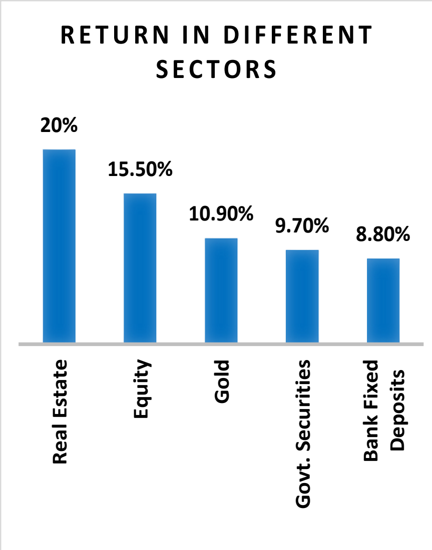


Source: CBRE Research, CREDAI

The housing and construction sector is the second largest employment generator after agriculture in India. It is estimated that the overall employment generation in the economy due to additional investment in the housing/ construction sector leads to approximately eight (8) times employment through backward & forward linkages. As per recent estimates by CREDAI, the real estate sector employment across India in 2013 was estimated to be nearly 7.6 million people. Given the total existing demand for real estate in the country, the number of real estate sector employees could go up to about 17 million by 2025. It will play a major role in bridging the employment gap in the country more effectively.

Real Estate as an investment Asset:

The boom in the sector has been so appealing that real estate has turned out to be a convincing investment as compared to other investment vehicles such as capital and debt markets and bullion market. It is attracting investors by offering a possibility of stable income yields, moderate capital appreciations, tax structuring benefits and higher security in comparison to other investment options. The return generated by Real Estate investment is much better than other sectors.



Therefore, the sector has also emerged as the most prominent investment option for the country's urban households, taking priority over gold, fixed deposits and stock exchange trading and also a favourite for investors worldwide.

The following table highlights the prominence of real estate as an investment asset worldwide.

Overview- Global Asset Portfolio Vis-à-vis Real Estate					
	Alternative Investments	**Fixed Income**	**Real estate**	**Equities**	**Cash/ Deposits**
Japan	7.00%	9.20%	11.90%	22.60%	49.40%
North America	9.30%	18.70%	13.50%	37.20%	21.30%
Asia Pacific excl. Japan	13.70%	16.70%	24.60%	22.30%	22.70%
Middle East and Africa	16.30%	16.00%	24.70%	17.00%	26.00%
Europe	9.10%	15.30%	26.70%	21.50%	27.30%
Latin America	13.10%	16.80%	30.10%	12.50%	27.60%
Global	10.10%	15.70%	20.00%	26.10%	28.20%
India	48.00%	2.00%	30.00%	2.00%	18.00%

REGULATORY ENVIRONMENT –

CHANGES AND CHALLENGES

CHANGES:

Service Tax Abatement on Construction Activity:

Exemption from service tax is provided for construction of residential complexes which are a part of the JNNURM and Rajiv Awas Yojana (RAY).

Real Estate Regulation and Development Bill 2013:

The aim of the bill is to create a Real Estate Regulatory Authority and an Appellate Tribunal that will act as a watchdog for the housing sector, primarily towards protecting consumer interests

The aim of the bill is to create a Real Estate Regulatory Authority and an Appellate Tribunal that will act as a watchdog for the housing sector, primarily towards protecting consumer interests while creating an alternative redress mechanism for any disputes that may arise. The bill demands greater disclosure from the developer community and a higher level of project accountability to remove the information asymmetries from the housing market. It promotes fair play in real estate transactions and emphasizes on timely delivery of projects to protect consumer interest.

Major clauses in the bill that can influence the real estate sector:

- Developers will have to register their projects with a real estate regulatory authority, without which sale, booking or even offer to sell is not permissible. Promoters will have to disclose
- Standard details of the project, along with names of brokers who would represent the project.
- Developers will sell the project only after all necessary approvals are in place and the project has been registered with the authority. The Regulatory Authority will have to clear or reject projects within 15 days.

- Developers have to open a separate bank account (escrow account) for each project and will have to set aside 70% (or less as per local authority) of the buyer's money. This amount can be used only for the construction of that particular project.
- To check delays in delivery, the bill empowers buyers to cancel booking and claim the full amount, along with interest for delays in the project.
- To increase transparency, the bill has proposed penalties of 5% to 10% of project cost and jail term of up to three years for misrepresentation of facts to customers or non-compliance.
- The Bill has proposed setting up of an appellate tribunal, which will hear real estate cases and will have the powers of a civil court. It also proposes setting up of a central and state level real estate regulatory authority to exercise the powers conferred on it and perform functions assigned under the Act.

The Land Acquisition and Rehabilitation and Resettlement Bill 2013:

An Act to ensure, in consultation with institutions of local self-government and Gram Sabhas established under the Constitution, a humane, participative, informed and transparent process for land acquisition for industrialization, development of essential infrastructural facilities and urbanization with the least disturbance to the owners of the land and other affected families whose land has been acquired or proposed to be acquired or are affected by such acquisition and make adequate provisions for such affected persons for their rehabilitation and resettlement and for ensuring that the cumulative outcome of compulsory acquisition should be that affected persons become partners in development leading to an improvement in their post-acquisition social and economic status and for matters connected therewith or incidental thereto was introduced in Parliament 7th September 2011. The same was passed by the Lok Sabha on 29th August 2013 and by the Rajya Sabha on 4th September 2013. The President of India gave his assent to the bill on 26th September 2013 and this became law with effect from 1st January 2014.

The Bill also empowers the village council to conduct social impact assessment of any land acquisition and define the timelines for providing compensation.

- In case the land is acquired in an urban area, an amount not less than twice the market rate needs to be paid to the landowner
- In case the land is acquired in a rural area, an amount not less than four times the original market value needs to be paid to the landowner
- In case of acquisition of land for use by private companies or public private partnerships, consent of 80% of the displaced people will be required. Purchase of large pieces of land by private companies will require provision of rehabilitation and settlement.

Easing of FDI:

As a measure to enhance affordable housing the finance minister announced relaxation of FDI norms in the real estate sector. Industry experts are of the opinion that easing of FDI is likely to bring in opportunities for cheaper capital for smaller projects. The finance minister has announced a reduction in the size of projects eligible for FDI from 50,000 sq. meters to 20,000 square meters and reducing the minimum investment limit for FDI to $5 million from the existing $10 million.

Emphasis on Affordable Housing:

The government's policy in easing of FDI norms is being seen as one big beneficiary move to bring affordable housing back on track

The government's policy in easing of FDI norms is being seen as one big beneficiary move to bring affordable housing back on track. With reports suggesting a shortage of around 18.78 million houses in the country, the finance minister has allocated Rs 4,000 crore for low-cost housing alone apart from Rs 50,000 crore for urban housing. With Slum development being made a part of CSR activities, the government seems to have its heart in the right place.

Introduction of REIT- a Positive Sign:

The introduction of Real Estate Investment Trusts (REITS) is considered as a welcome move as it is likely to increase liquidity in the cash strapped sector

The introduction of Real Estate Investment Trusts (REITS) is considered as a welcome move as it is likely to increase liquidity in the cash strapped sector. The Securities and Exchange Board of India has already issued guidelines for REITs and now with taxation structure getting clear in the annual budget, real estate sector is going to become a direct beneficiary of such trusts.

Increase in deduction limit on interest payment for housing loans:

As part of tax management and tax structuring, the finance ministry has increased the home loan rebate on self-occupied property from Rs 1,50,000 to Rs 2,00,000. Income tax deduction limits under 80C on repayment of principal amount on housing loan has also been increased from Rs 1 Lakhs to Rs 1.5 Lakhs which is likely to make more people walk down the housing loan route in the coming year.

GAAR:

It now continues to be effective starting April 1, 2015 and applies to all investments post August 2010. It provides extensive powers to the tax authorities to disregard tax driven structures that are abusive, non-arm's length or lack commercial substance. Due to the ambiguity in the GAAR provisions, it was expected that detailed guidelines would be released. Unless the Government provides more certainty on the application of GAAR, it will result in significant litigation and negatively impact investor sentiments.

CHALLENGES:

Despite these regulatory and policy changes Real estate Sector in India has been going through a dimly lit corridor during the past one year. Dip in demand for housing sector and a weak economy has resulted in sluggish sales across the country. Further, lack of consistency in rules relating to development of SEZs, increased monitoring of the sector by regulatory agencies, tightening of rules for lending to the real estate sector and increase of key rates by the RBI several times during the last one year, have arrested the growth of the sector. Major challenges faced by the sectors are:

Tougher Land Acquisition Norms:

The clauses that appear in the Act not only ensure that land costs go up for the acquirer, but it also renders the acquisition process more complex and time-consuming

While the Act had the objective of balancing the interests of land owners and land acquirers, the final draft of the policy did not really deliver on this front. The clauses that appear in the Act not only ensure that land costs go up for the acquirer, but it also renders the acquisition process more complex and time-consuming. This is evident in the clauses pertaining to obtaining mandatory consent of 80% of the owners, future incremental gains from land transactions to be shared by the land owners, and different resettlement procedures for different sections of the population (such as scheduled castes/tribes).

Highly bureaucratic and slow approvals process:

More than 15 approvals are required to be obtained from different authorities under the local laws to commence a Real Estate project in India

More than 15 approvals are required to be obtained from different authorities under the local laws to commence a Real Estate project in India. The Government is yet to streamline the approval process, which significantly slows down the project launch date and adds to the cost burden of the developer. There is no clarity on which law will have precedence in the case of a dispute between the Central Government and state policies. The idea of fostering greater transparency may come at the cost of housing projects becoming more expensive if the approval process adds to the holding cost of the developer.

Lack of transparency:

The Indian Real Estate Sector is highly fragmented with the disorganized segment comprising of the small builders and contractors accounting for a majority of the housing units constructed

This also hampers the Indian real estate sector. The Indian Real Estate Sector is highly fragmented with the disorganized segment comprising of the small builders and contractors accounting for a majority of the housing units constructed. As a result, there is a lesser degree of transparency in dealings or sharing of data across players which act as a deterrent to foreign investors looking to invest in Indian realty. An independent body appraising prices of lands as per international standard is needed in India to bring in the much needed transparency.

Raising funds:

Indian real estate has suffered from plummeting inflow of funds in the past year

It is the most difficult challenge for the real estate projects. Indian real estate has suffered from plummeting inflow of funds in the past year. The inflow has been hurt by Eurozone crisis and low performing global economy. While foreign direct investment (FDI) in real estate was about Rs 1,58,490 million in present value in 2009-10, it has come down to Rs 39,474 million in 2011-12.

Speculation in property and land prices:

It has led to the unreal price appreciation in Indian real estate market. Overpricing has been deterring customers from buying homes and as a result there exist a huge number of unsold units. Foreign Private Equity funds have been blamed for this to a certain extent as they look for a high return in a short period of time.

Financing cost:

It is also on the rise for developers. As the number of defaulters increase, commercial banks have become more restrictive in lending money to the developers. Developers have to rely on borrowing from alternate sources at high rate of interests which again pushes up property prices. All this results in prices going above the buyer's range, making it difficult for the units to get sold.

Demand dependent on many factors:

The factors that influence a customer's choice in property is not restricted to quality alone, but is dependent on a number of other external factors including proximity to urban areas, amenities such as schools, roads, water supply which are often beyond the developer's sphere of reach

A challenge that the real estate developers face is generating the requisite demand for the properties constructed. The factors that influence a customer's choice in property is not restricted to quality alone, but is dependent on a number of other external factors including proximity to urban areas, amenities such as schools, roads, water supply which are often beyond the developer's sphere of reach. Also, demand for housing units is also influenced by policy decisions relating to housing incentives.

Input cost:

It has been rising steeply due to inflation. Real estate is a capital and labour intensive industry and rise in cost of construction materials as well as in labour makes it harder for realty developers to reduce prices of the unsold units. Cost of cement has gone up by as high as 50% in few states and cost of steel per tonne has gone up to Rs 52,000 from Rs 40,000 per tonne. Labour prices have risen by 40%-50% during the same period.

The absorption rates in realty hubs like Delhi NCR and Mumbai have come down by about 30% and Mumbai alone has to bear the burden of around 80,000 unsold units

The absorption rates in realty hubs like Delhi NCR and Mumbai have come down by about 30% and Mumbai alone has to bear the burden of around 80,000 unsold units .Launches have plummeted by 50% in most of the cities as well. There is a need to look beyond the IT/ITeS industry when it comes to commercial office space. Any upset in the IT sector would inevitably have a huge impact on absorption of office spaces in cities like Bangalore, NOIDA and Gurgaon.

Further Changes required:

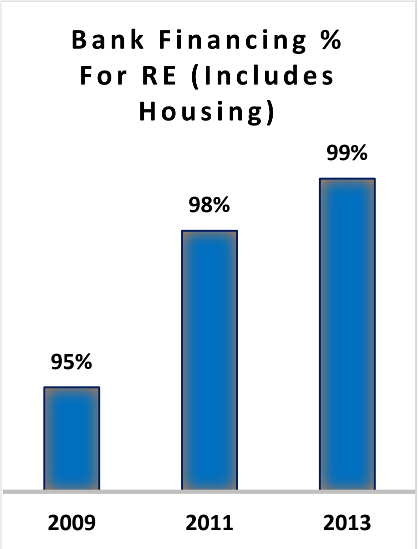
The government and regulatory authorities are working to improve the investment climate through market transparency, albeit at a slow pace. The relaxation of Foreign Direct Investment laws, an improvement in the availability of data and the strengthening of regulations in the real estate sector are a few of the initiatives. The Real Estate Regulation Bill is regarded as a key policy that is expected to improve India’s transparency score but it is not due to be tabled until later this year. The regulator will be effective and this is a positive step is not debatable. However, the extent of effectiveness and the implementation at the state level are possible hindrances going forward. However, few more steps required are:

- Clarity on taxation in REIT—whether it will be at the beginning or at the end or no taxation at all

- Investors also want the government to set up a strong, national-level regulator to bring uniformity and consistency across the nation for investment. Currently, we have to tackle different sets of regulations, say stamp duty and registration charges, in different states as real estate is a state subject. A national level regulator can work with state bodies and bring consistency for investors.
- Single window clearance
- There is a lot of ambiguity in FDI guidelines and the time has come to redefine the guidelines. It should not have separate guidelines for rupee and dollar denominated funds. There should be uniformity and both funds should be allowed to be pooled together. This will benefit all developers and more money will be available.
- The developer fraternity is asking for infrastructure status or special status for affordable housing. Infrastructure status will lead to availability of cheaper capital for developers through tax exempt bonds. The government should also incentivise developers engaged in affordable housing through tax breaks and concession.
- Tax exemption limit for interest payments for home buyers is Rs 1.5 lakh and it should be increased to Rs 3-3.5 lakh. Also, the interest rate for home buyers must be brought down below 7 per cent.
- The land acquisition policy in effect has serious anomalies and the government should look at it with due seriousness. The government should make the land acquisition process balanced for both buyers and sellers.

FUNDING ENVIRONMENT

Conventional Bank Credit:



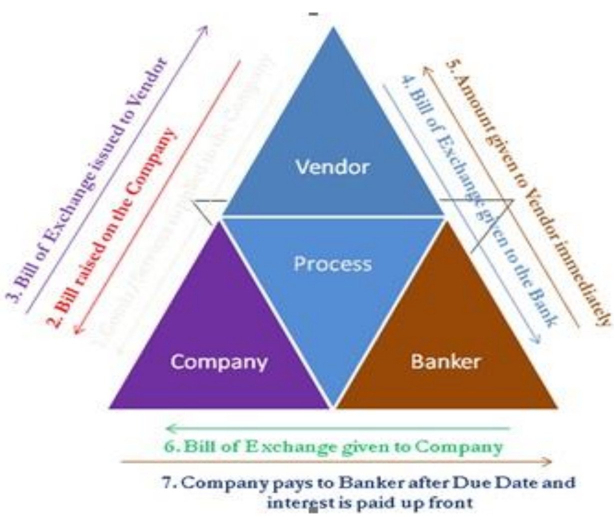
Lending by Banks continues to be the biggest sources of capital for real estate companies in India. Banks have shown a greater interest in lending to the real estate sector from the past few years. They also finance the real estate sector by providing mortgage loans to individuals. Banks provide indirect finance to real estate sector by giving loans to housing finance institutions and developers. Various instruments available from bank are:

- LAP
- Term Loan
- Lease Rent Discounting
- LC/BG

Innovative instruments from Bank:

Vendor Financing under MSME route :

Vendor Financing under Bill Discounting	
ROI	12% to 13%
Lenders	Banks
Tenure	180 Days
Collateral	1.5 times



Take-out Financing:

Discounting of the receivables which have arisen or are arising out of real estate projects and include real estate residual values or proceeds of sale which can be sold to the SPV or can be discounted by the lenders.

Discounting of the receivables arisen out of the sale and also against the inventory	
ROI	18% to 22%
Lenders	NBFCs/ SIDBI
Tenure	3-5 yrs.

Working Capital Term Loan:

Working Capital can be raised at holding level for use in different projects at various stages over 4 years as per requirement.

ROI	14% to 15%
Lenders	Banks
Tenure	3-5 yrs.
Margin	30%
Collateral	1.5 times

Key Restrictions on RE lending as per RBI:

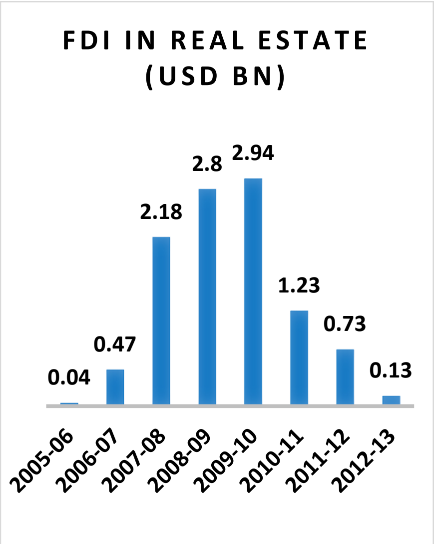
- Ban by RBI on Land Financing
- ECB funding option not available for RE Sector (Exception to Hotels, Priority Sector lending)
- RE designated as sensitive sector by RBI
- RBI policy barred financing schemes of 80:20 and 75:25 and denied builders to access loan at home loan rates
- End use restrictions

External Commercial Borrowing ECBs:

- ECBs allow corporate to access foreign currency loans through commercial bank. Since January 2009, ECB route has been opened for the development of integrated townships & Industrial Parks.

- For Industrial Parks ECBs is allowed under automatic route while for Integrated township ECBs is allowed under approval route.
- Integrated Townships: Projects with minimum 100 acres size or 2000 dwelling units
- Maximum Loan Amount:
  - Corporate engaged in hotel, hospital & software sectors: Up to USD 100 Million
  - Other Corporate including Real Estate sector: up to USD 500 Million
- Tenure:
  - Up to USD 20 Million: Min Avg. maturity of 3 years
  - Above USD 20 Million: Min Avg. maturity of 5 years
- Cost: Libor + 350 BPs (3-5 yrs. Maturity) and Libor + 500 BPs (> 5 yrs.)

THE TERMS MENTIONED ABOVE ARE INDICATIVE AND MAY VARY FROM LENDER TO LENDER AS ALSO ON A CASE TO CASE BASIS



Foreign Direct Investment:

Indian real estate market witnessed a significant change in the last decade mainly backed by opening up of FDI in the sector. The opening up of the sector to foreign direct investment in 2005 initiated the entry of new avenues for funding. The capital inflows into the sector witnessed a spike especially in 2007 – 2010 and has grown at a CAGR of 83% between 2007 and 2010.

Guidelines:

- Foreign investors can now invest in commercial projects (under construction) over 20,000 sq. meters, or plotted residential developments with a minimum size of 10 hectares with a minimum capitalization of $5 million (for a wholly owned subsidiary)

- Funds have to be brought in within six months of the commencement of business of the company with tenure of 3 yrs.
- At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances.
- Critical issues needed to be addressed: valuation, exit route, time horizon of 3-5 years, regulatory compliances and clear land titles.

Reduction in the project size from 50,000 square metres to 20, 000 square metres has partially addressed the long standing demand of the industry, which was expecting a reduction to 10,000 square meters, since even 20,000 square meters could be difficult for some Tier I cities (ex –Mumbai). However, this relaxation should provide impetus in development of smart cities providing habitation for the neo-middle class, as is contemplated in the Budget.

In addition, projects which commit at least 30% of the total project cost for low cost affordable housing will be exempted from minimum built-up area and capitalization requirements under FDI. This could provide a major fillip to affordable housing projects where the size of the project is less than 20,000 square meters. Also, though the provision is yet to be introduced, the proposition of the Finance Minister to include slum development in the statutory list of corporate social responsibility activities is encouraging.

Qualified Institutional Placement:

Qualified Institutional Placement (QIP) route offers a cost-efficient way of raising funds from the domestic institutional investors, thus offering an attractive alternative when overseas borrowings dry up. This mode of fund raising has lesser procedural requirements.

Foreign Currency Convertible Bond:

Foreign Currency Commercial Bond (FCCB) is a mix between a debt and equity instrument issued in a currency different than the issuer’s domestic currency. It acts like a bond by providing regular coupon and principal payments but at the same time gives bondholders the option to convert the bond into stock.

Convertible Bonds:

Convertible bond is a bond that can be converted into a predetermined amount of the company's equity, usually at the discretion of the bondholder.

REITs:

A Real Estate Investment Trust is a company that invests primarily in completed, revenue generating real estate assets and distributes a major part of the earning among their investors

A Real Estate Investment Trust is a company that invests primarily in completed, revenue generating real estate assets and distributes a major part of the earning among their investors. REITs provide the investors with an investment avenue, which is comparatively less risky than investing in under-construction properties and provides regular income. On the other hand, REITs provide the sponsor avenues of exit thus providing liquidity and enable them to invest in other projects.

Constitution	Trust, Listed Entity
Listing	Mandatory
Raising of Funds	IPO
Minimum size of Assets	Rs.1000 cr.
Investors	HNIs/Institutions
Minimum subscription size	Rs. 2 Lakhs and unit size Rs.1 lakh
Investment Criteria	• REITs have been allowed to invest in the properties directly or through special purpose vehicles, wherein such special purpose vehicles (SPV). • Hold not less than 90% of their assets directly in such properties. 90%, in completed Assets, 10% in other assets • The REIT shall not invest in vacant land or agricultural land

	or mortgages other than mortgage backed securities. • REIT shall only invest in assets based in India. • Investment upto100% of the corpus of the REIT has been permitted in one project subject to the condition that minimum size of such asset is not less than Rs. 1000 crore
Distribution of Dividend	Minimum 90% of distributable income after tax

Prerequisite for raising capital:

- Clear Land Titles
- All approvals in place
- Demand supply analysis
- Timely delivery
- Appointment of renowned contractor/architect
- Clear Marketing Strategy
- Satisfactory conduct of the account for Existing borrowers
- Proper and clearly identifiable source of Equity

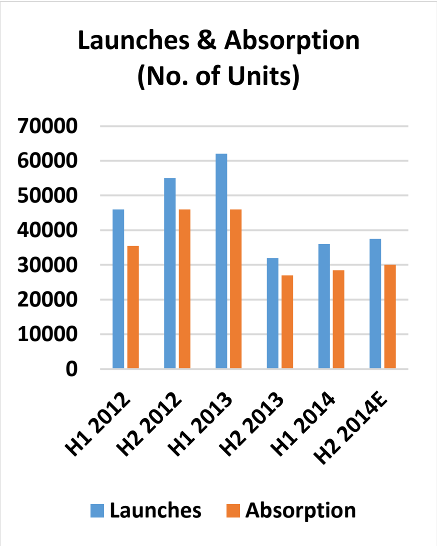
An overview of Delhi NCR Real Estate Market

Delhi NCR markets that had remained resilient during the global economic slowdown of 2008-09, is currently undergoing a trough phase in the real-estate market cycle. The market in terms of real estate transactions has been slow, with the conversion to enquiry ratio reduced over the last one year. This slowdown is largely owing to a mix of factors such as feeble macro-economic scenario, weak investor sentiments and perceived high price points. Yet, the primary markets have not witnessed any downward correction in prices.

Key Highlights:

The Delhi NCR region has been witnessing a host of infrastructural developments which are expected to create a positive impact on the overall market scenario

- The Delhi NCR region has been witnessing a host of infrastructural developments which are expected to create a positive impact on the overall market scenario. While the prestigious projects such as DMIC (Delhi Mumbai Industrial Corridor) and KMP Expressway (Kundali-Manesar-Palwal Expressway) are expected to trigger the economy and hence the real estate markets, umpteen projects have been undertaken to improve the inter/intra-city connectivity. Despite the delay in completion timelines for most of these projects, we expect significant benefits accruing through these post completion.
- Delhi residential real estate markets continue to witness huge re-development activity through builder collaboration. Certain category-A locations have witnessed declining transaction volumes because of multiple and significant increases in the circle rates, in the recent past to the extent of 15 - 20%.
- Prices in the primary residential real estate markets of Gurgaon are likely to stagnate in the short run owing to the slow pace of inventory off take. Buyers are maintaining a cautious stance with regards to the high prices and are increasingly shifting their focus to the secondary markets that have recently witnessed minor price corrections. However, prices in the long



run are expected to trend up owing to the increasing cost of construction coupled with the imminent infrastructure developments in the city.

- The Gurgaon real estate markets have traditionally been heavily investor driven. However, investors are holding on to their real estate investments for a relatively longer tenure as exit options have not been easy. This keenness to exit coupled with high prices in the primary markets have led to price corrections in the secondary markets of certain pockets.
- Certain peripheral locations of Gurgaon such as Sohna, Dharuhera and Bhiwadi have witnessed healthy demand by buyers/investors.
- Sohna is an emerging city, adjoining Gurgaon with a separate 'Sohna master plan-2031' notified recently. The region is set to benefit from proximity and good connectivity with the prime locations of Gurgaon. Better connectivity with Delhi and Faridabad are also planned for future. Residential real estate is still nascent in the region; however, in near future this location is likely to cater to the spill-over demand from Gurgaon in addition to the local demand. The region should also benefit from the existing and planned industrial developments such as IMT Sohna and Ascendas IT SEZ.
- Dharuhera has emerged as an affordable real estate destination in NCR over the past few years. Residential demand has predominantly been from local end-users or investors from neighboring regions of NCR, seeking affordable options. The town benefits from its strategic location on NH-8, industrial development and good connectivity from Gurgaon and other neighboring regions. While absorption has dipped, property prices have witnessed an upward movement of approximately 15% Y-o-Y over the past two calendar years. Residential units available in this belt are priced in the average range of INR 1,700 – 3,500/sq.ft.
- Bhiwadi is an industrial town and a part of Delhi NCR. RIICO (Rajasthan State Industrial Development and Investment Corporation) has been instrumental in the

industrialization of Bhiwadi, since 1975. The region is also a part of prestigious DMIC project. Market demand is largely driven by local and neighboring regions such as Manesar. Moreover, investor demand also comes from other regions in Delhi NCR and Rajasthan, as residential units in this belt are still affordable.

- During the current year's survey, it has been observed that the NOIDA markets seem to have entered a stagnation phase over the past six months as buyers are waiting to observe the manner in which the 'to be delivered' inventory would behave over the next 1-2 years. The market still remains predominantly end user driven. NOIDA market is not witnessing many soft launches and builders are selling FSI to raise money.
- Greater NOIDA East and Greater NOIDA West (NOIDA Extension) markets have also witnessed significant price rise tracking the affordable prices and a slew of measures announced to safeguard homebuyer interests by CREDAI.

Delhi:

The Delhi real estate market has showcased resilience during the slowdown. Residential real estate prices are expected to increase owing to the limited land supply available coupled with an increase in construction cost. According to the Delhi Master Plan 2021, the population pressure is expected to move up from 18.2 million in 2011 to 19.9 million in 2016 to 23 million in 2021.

Delhi micro-market is witnessing a lot of redevelopment projects. There is heavy presence of independent villas and row houses. Delhi realty segment is largely end-user driven with 75% and 25% end-user and investor mix respectively. Transactions have scaled new levels with rates at over 10 times of the circle rates in most parts of the capital city.

New Growth Corridors:

The DDA would develop the areas with the help of private builders under the recently-approved Land Pooling Policy. As per DDA, the areas along the major transport corridors and fringes of already urbanized areas have been earmarked for the urban development

In order to cope with the burgeoning urbanization in the city, the new draft master plan 2021 seeks to create urban extension area on the periphery of Delhi, which shall see massive developmental projects. The development of around 20,000-24,000 hectare land is expected to provide housing options to an approximate 48 lac people in Delhi by 2021. The DDA would develop the areas with the help of private builders under the recently-approved Land Pooling Policy. As per DDA, the areas along the major transport corridors and fringes of already urbanized areas have been earmarked for the urban development. The housing development would be in the line of residential development in Dwarka and Rohini sub-cities. The policy proposes to carry out development in urban extension areas by involving private parties. The new sub-cities would be developed with all infrastructure and facilities. In the early phase, seven zones have been selected for the development. These zones viz. J, K1, K2, N, L, PI and PII would be spread across the city. For instance, if zone J is in south Delhi alongside NH 8, zone L will be developed in Najafgarh of west Delhi. Similarly, zone P I and P II are alongside the national highway I and zone N is beyond Rohini.

North Delhi:

Major Locations: Delhi Gate, Kashmere Gate, Darya Ganj, Model Town, Pitampura, Rohini, Ashok Vihar and Civil Lines.

It predominantly witnesses secondary market transactions. However, few project launches by Parsvnath and M2K developers have been witnessed at the Magazine Road and the Model Town locations of this region. The available units in these projects at the primary markets sell in the range of INR 11,500 - 20,000 /sq.ft. In terms of organized retail, the region witnessed approximately 22 malls, spread across the entire Northern region.

South Delhi:

South Delhi real estate market which remained resilient even during the global financial crisis in 2008-09, has recently witnessed a slow-down in transaction volumes. These markets have seen prices almost double over the last three years, but are currently undergoing a down trend in capital values to the extent of 15 - 20%. Demand for properties has witnessed a dip on account of weak economic scenario and hardened interest rates. Hence, certain builders under the pressure to sell their units are willing to negotiate. The primary and resale markets of certain category-A locations have witnessed declining sales because of multiple and huge increases in the circle rates in the past few months.

East Delhi:

Major Locations: PreetVihar, MayurVihar, Pushpanjali Enclave, AnandVihar, Patparganj, Lakshmi Nagar, Gandhi Nagar, VivekVihar and Shahadara.

Emaar MGF had launched its residential project 'Common Wealth Games Village' under a joint venture development model with DDA in this region.

West Delhi:

Major Locations: PashchimVihar, Punjabi Bagh, Vikaspuri, Janakpuri, Raja Garden, Tagore Garden, Rajouri Garden, Subhash Nagar, Mansarovar Garden, Ramesh Nagar, Kirti Nagar, Hari Nagar and Dwarka.

The residential real estate landscape typically comprises independent houses/ bungalows Dwarka is located towards the south-west of Delhi. The development in this micro-market is carried out by either DDA or Group Housing Societies. It is bounded by NH-8, outer ring road, Najafgarh Road, Pankha Road and the Rewari Railway line. The under-construction Dwarka Expressway shall provide excellent connectivity to Gurgaon. DLF is present at Shivaji Marg of West Delhi.

Gurgaon:

Gurgaon accounted for 23% of the launches in H1 2014, showing a slight increase compared to H1 2013. It is interesting to note that the only premium projects launched in the NCR in H1 2014 have been in Gurgaon, within the price range ofRs. 11,000–14,000 per sq ft, indicating the dominance and demand for the luxury segment

Gurgaon, located to the south of New Delhi, is the industrial and financial centre of Haryana. The Gurgaon district comprises of five blocks: Badshahpur, Pataudi, Sohna, Gurgaon and Farrukhnagar. It is bounded by the district of Jhajjar and Delhi on its north, Faridabad district on the east and the district of Mewat in the south. On the west lies the district of Rewari and the state of Rajasthan. It is located at the northern edge of the Aravalli mountain ranges.

Major Infrastructural Developments in Gurgoan:

Dwarka Expressway:

Dwarka Expressway, also known as the Northern Peripheral Expressway, when complete would be an eight lane expressway. It shall stretch 18kms, starting from Dwarka, connecting PalamVihar and would join Kherki Dhaula in the NH-8. It is expected to reduce the travel time from west Delhi by half. The new Terminal 3 of the Indira Gandhi International Airport would be accessible within a few minutes' drive

Kundli-Manesar-Palwal Expressway:

It shall run between Kundli and Palwal in Haryana. It measures 135.6km in length, crosses four national highways namely NH1 near Kundli, NH2 near Palwal, NH8 near Manesar, NH 10 near Bahadurgarh and the State Highway 13 (Gurgaon to Alwar).

Special Economic Zone:

The Haryana government is establishing a special economic zone at Garhi Harsaru in New Gurgaon, approximately 25km from the international airport in Delhi, adjoining the NH8 and the state highway between Gurgaon and Pataudi. The SEZ is expected to be spread across 3,000 acres. The Haryana government is planning to extend the Metro rail to Sohna Road and then up to Manesar in the coming years. Apart from this, metro rail is also proposed along the Dwarka Expressway.

At 23%, Gurgaon is the second largest micro-market in terms of the quantum of under-construction units in the NCR. The primary developing areas in Gurgaon are Golf Course Extension Road, Southern Peripheral Road, Dwarka Expressway, Manesar and Jaipur Highway. Neemrana, Bhiwadi and Dharuhera are the upcoming residential hubs catering to the affordable housing demand that has been created by the continual industrial development in these locations. Along with being affordable, these projects are offering good infrastructure, public amenities and connectivity options to lure buyers. New infrastructure developments and the presence of prominent builders like DLF, TATA, Unitech, IREO, M3M, Rahejas and Emaar have made Gurgaon one of the favoured residential markets in the NCR, with primarily mid to high-segment projects.

Key Highlights:

- This belt has predominantly matured and witnessed subdued market activity. Absorption levels trickled down by 19% in the H1 CY 2013 from the H1 CY 2012 levels. New launches have also dropped by 23% during the same period.
- While Golf Course Road remains the most premium priced location, other locations of Gurgaon have also reached high price levels. Golf Course Road has now become a matured micro-market both in terms of primary transactions and supply launches. The capital values have essentially remained stable in the past few months. Average residential property prices at this location vary between INR 10,000 – 25,000/sq.ft.
- Golf Course Extension Road witnessed decent new launches during H1 2013, however absorption depicts a slightly declining trend since CY 2012, which is in tune with the overall trend in the Gurgaon market. Prices have largely remained stable with a slight uptrend. Residential properties sell at approximately INR 9,400 –14,000/sq.ft. in the primary markets.

- Gurgaon-Faridabad Road is a 25 km road stretch, connecting near the SPR patch in Gurgaon and extending to Faridabad. This upcoming location near Aravalli Hills is planned to be a low density area. Hence, builders have launched larger sized units of approximately 4000 sq.ft. onwards. Premium properties in this micro market are priced in the range of INR 11,000 - 18,000/sq.ft. (Average Price INR 12,500/sq.ft.). New launch activity and absorption have shown a stable trend over the past two years.
- Sohna Road stretch also witnessed subdued new launches and absorption in the last one year.
- Mehrauli-Gurgaon Road (MG Road) has a fair amount of organized retail development and office spaces. Predominantly commercial in nature, this road is also dotted with some residential development.
- This entire region is favored by good retail and office development. There are 17 operational shopping-malls, primarily located on the MG Road, DLF phases and the Golf Course Road.
- DLF, Ansal and Unitech had major land banks since the initial development phase. However, currently many other reputed developers such as; IREO, Tata Housing, Emaar MGF, Vatika, Paras Group, etc. are present. Gurgaon real estate market is expected to stagnate in the short run owing to the slow demand tracking the negative buyer sentiments and that the prices of the residential real estate in this geography have peaked. Most buyers are currently in a wait and watch mode, where they feel that the prices may correct. However, the prices in the long run are expected to increase owing to the uptrend in the construction cost to builders. The prices shall look up on account of the imminent infrastructure developments in the city. On the demand side, there is relatively healthy demand in the sub-INR 1.5cr category for the Gurgaon region.
- Gurgaon accounted for 23% of the launches in H1 2014, showing a slight increase compared to H1 2013.
- It is interesting to note that the only premium projects launched in the NCR in H1 2014 have been in

Gurgaon, within the price range of ` 11,000–14,000 per sq.ft., indicating the dominance and demand for the luxury segment. More than 75% of the new launches are above the ticket size of Rs.10 mn, clearly positioning Gurgaon as a premium market.

- Sohna is the only location that witnessed project launches in the affordable and mid-segment range within Gurgaon. Unaffordable land prices have pushed developers to consider new locations like Sohna for project launches. More than 20 new sectors are proposed in the master plan of Sohna 2031, one-fourth of which are set aside for residential development. Connectivity with Gurgaon is a major advantage for this upcoming hotspot. This market is expected to emerge as an affordable alternative to Gurgaon, with projects priced at Rs. 4,000–5,500 per sq. ft.

Home sales in Gurgaon witnessed a drop of 49% in H1 2014, compared to the same period in 2013, largely due to the increasing un-affordability of housing options available in this market

- Home sales in Gurgaon witnessed a drop of 49% in H1 2014, compared to the same period in 2013, largely due to the increasing un-affordability of housing options available in this market. At 28,000 units, Gurgaon market's unsold inventory levels are comparable to those of NOIDA and Ghaziabad. An analysis of and age of inventory suggests that its performance is better than NOIDA, but worse than the affordable micro-market of Ghaziabad.

NOIDA:

Greater NOIDA contributed to about 40% of the units launched in H1 2014, showing a slight de –growth in share as compared to H1 2013

New Okhla Industrial Development Authority (NOIDA) constituted under the UP Industrial Area Development Act, 1976 is a planned, integrated, modern industrial city, well connected with Delhi through a network of national highways, roads and the DND flyover. NOIDA is spread over 20,316 hectares. NOIDA is bound by the NH 24 by-pass in the North beyond which the Ghaziabad Development Authority starts, in the east by River Hindon beyond which the Greater NOIDA region starts, in the West by River Yamuna after which are the states of Delhi and Haryana.

Planning:

About 35.66% of NOIDA's area is being earmarked for residential development. In the decade ahead, NOIDA plans to acquire and develop 3,400 hectares of land, out of which 430 acres have been earmarked for residential, 620 hectares for commercial, 650 hectares for industrial and 200 hectares for institutional purposes. Another 300 hectares of land has been assigned for development of recreational purposes, which would include entertainment parks and cultural activities. 125 hectares of land would be utilized for road transport facilities.

Infrastructure:

NOIDA-Greater NOIDA expressway connects the townships of NOIDA and Greater NOIDA. The expressway has six lanes and is 25kms in length. Yamuna Expressway that recently commenced operations is stretching over approximately 165-kilometres along the Yamuna River connecting NOIDA and Agra.

Overview of NOIDA Residential Market:

Greater NOIDA and NOIDA contain more than half of the under-construction units in the NCR market. Both these micro markets are backed by the on-going robust infrastructure developments

Greater NOIDA and NOIDA contain more than half of the under-construction units in the NCR market. Both these micro markets are backed by the on-going robust infrastructure developments. NOIDA is perceived to be a prime end user market in Uttar Pradesh due to the presence of good physical and social infrastructure, along with proximity to South Delhi and abundant job opportunities. NOIDA is an outsourcing hub within the NCR. A large number of IT/ITeS companies have set up their bases here. It has also witnessed sufficient traction from the automobile ancillary industry. Most of the residential projects launched in this satellite town are in the mid-segment housing range. Locations like the NOIDA–Greater NOIDA Expressway have seen tremendous growth in residential projects, owing to the high demand from commercial and IT/ITeS developments in the vicinity. The presence of employment opportunities, social infrastructure and decent road and mass transit connectivity with other parts of the city has benefitted this market immensely. The fact that this is the only micro-market within the NCR region that offers an array of products across all ticket sizes works in favour of this location. NOIDA observed its share of new launches increase to 16% in H1 2014, compared to 9% in the same period last year. The majority of the project launches in this micro-market were along the NOIDA–Greater NOIDA Expressway, in the price range of Rs. 5,500–7,500 per sq. ft. Despite showing an improvement in percentage share, the number of new launches has remained constant in absolute terms. Project launches had bottomed out in H1 2013, primarily due to the limited availability of land parcels for group housing projects. Moreover, the allotment rates of group housing have been raised by 15% in NOIDA, thus weakening the feasibility of affordable housing options. This, along with the litigation between developers and buyers, consumer agitations and regulatory bottlenecks, has contributed to the reduction in launches in NOIDA. NOIDA's share in the absorption pie has not changed much in H1 2014 compared to H1 2013. However, in terms of absolute volume, there is a steep fall of 45% during the same period. The micro-market has an unsold inventory aged 10 quarters, which will take around eight quarters to be absorbed.

As compared to Gurgaon and NOIDA, the residential market in Greater NOIDA has been somewhat cautious because of the lack of commercial presence to support the residential supply

Greater NOIDA, on the other hand, enjoys the presence of large contiguous land parcels that are ideal for group housing projects. However, . Greater NOIDA is a planned industrial location, an educational hub and also an affordable housing option. Even though it was primarily developed as an extension of NOIDA, it is fast evolving as a self-sufficient market. Residential development has come up along the Yamuna Expressway and other locations like Sector Alpha, Gamma, Beta, Chi, Phi and Delta. The availability of huge land parcels and reasonable land prices enabled developers to launch projects in the affordable and mid-segment range with a ticket size of less than Rs.5 million. Preferred locations for project launches in H1 2014 were along the Yamuna Expressway and Tech Zone IV, in the price range of Rs. 3500–5000 per sq. ft. In terms of absorption, Greater NOIDA's share in the overall pie remained the same in H1 2014, as compared to the same period last year. However, sales in absolute terms have been showing a downward trend with each passing quarter since Q1 2013. Greater NOIDA has an unsold inventory of 10 quarters, with an average age of 10 quarters, making it the unhealthiest micro-market. Connectivity with a mass transit public transportation system is crucial for further development of locations like the Yamuna Expressway and other sectors of Greater NOIDA. Moreover, this slowdown in the market is driven majorly by the high number of project launches and subdued demand due to the land acquisition row of 2011–12. The resolution of this issue in the latter half of 2012 normalized the market and demand has picked up substantially. We expect the market to reach a better equilibrium in the next year, with improving sales volumes.

Since a majority of these projects are located beyond the established residential areas within this micro-market, there is apprehension among home buyers to explore them

Ghaziabad constitutes nearly 15% of the units under construction in the NCR market. Indirapuram, NH 24, Crossings Republic and Raj Nagar Extension are some of the preferred locations for project launches in this micro-market. Ghaziabad accounted for 20% of the new launches in H1 2014, showing a minor dip compared to H1 2013. However, in absolute terms, a steep fall of 54% was observed in residential unit launches during the same period. Primarily an end user market, Ghaziabad has seen consistent demand from home buyers looking for affordable options. Yet, home sales observed a substantial fall in H1 2014, despite a large number of new projects being launched at an affordable ticket size range of Rs. 2.5–5 mn. Since a majority of these projects are located beyond the established residential areas within this micro-market, there is apprehension among home buyers to explore them. Lack of social infrastructure, the absence of mass rapid public transportation systems, distance from work centers and poor access roads are some of the reasons for such trepidation towards these locations. Areas like LalKuan, PratapVihar and NH 24 Bypass are faced with such challenges and fail to attract buyers.

Although it is a small market in terms of the number of residential units under construction, Faridabad holds an important position. Development in this micro-market is backed by industrial growth. Most of the residential demand is driven by end users. Locations like Old Faridabad, sectors on NH2, Neharpar and Surajkund Road have seen ample residential project launches during the last few years. However, the Faridabad residential market witnessed the steepest drop in both project launches and absorption during H1 2014, compared to H1 2013. The unsold inventory levels are the lowest in the NCR market, but the age of inventory is the highest compared to other micro-markets, clearly indicating a mismatch between the demand and products offered. Developers were over-enthusiastic in launching projects in Faridabad, and demand has been subdued due to lack of drivers. Unlike NOIDA and Greater NOIDA, this market observed little demand from corporates with only 3 mn sq .ft. of operational office space. Project delays have also influenced the negative sentiment for this market, since this is an end user market.

Conclusion

Weak macro-economic conditions coupled with low confidence levels led to the real estate sector having a bad CY 2013. Consumer spending was impacted by increasing inflation and very slow growth in income levels. These issues with general elections round the corner led to a continuation of these sentiments in H1 CY 2014. Added to these issues was the nearly drying up of debt to real estate sector. The near trickle of PE and FDI inflows added to the cost of borrowing for the developers. All these factors cumulatively contributed to a negative housing absorption which resulted in inventory overhang. Commercial real estate was also similarly affected. Here also inventory overhang is seen while rentals have seen a reduction in many cities.

With a stable Government at the Center the Union Budget 2014-15 sent a positive sentiment to the investors and provided the much-needed impetus to the economy. Among the slew of measures announced by the Finance Minister, substantial emphasis was laid on the real estate sector, which is expected to create momentum especially in the housing industry. Further, focus on peripheral sectors such as infrastructure and manufacturing in the Budget is also expected to provide additional thrust to the real estate sector. A positive offshoot of this would be that demand for housing would increase in Tier II and III cities. With the intention of developing 100 smart cities all over the country would also improve the prospects of the real estate sector.

We are of the opinion that the real estate sector is on a road to recovery with the improvement in the economic conditions in the country and the government taking steps to improve sentiments in this sector

Despite all these measures the inventory is expected to remain high. The government has allocated funds for cheap credit for low cost housing. This may encourage an increasing number of developers to opt for this segment. The Real Estate (Regulation and Development) Bill 2013 would ultimately bring in accountability and transparency which would ultimately help the developers and buyers. Further the introduction of REITs would provide a new avenue of funding to the developers.

In conclusion we are of the opinion that the real estate sector is on a road to recovery with the improvement in the economic conditions in the country and the government taking steps to improve sentiments in this sector. Hover as always there would be a lag of two to three quarters for the results to be visible.

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CII
Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 7200 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 100,000 enterprises from around 242 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

The CII theme of ‘Accelerating Growth, Creating Employment’ for 2014-15 aims to strengthen a growth process that meets the aspirations of today’s India.During the year, CII will specially focus on economic growth, education, skill development, manufacturing, investments, ease of doing business, export competitiveness, legal and regulatory architecture, labour law reforms and entrepreneurship as growth enablers.

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