

The realty industry had all the makings of being bright during this Diwali. The pointers: at least 12 public offerings, a slew of new projects and the return of private equity funds that had turned away proposals due to the global slowdown last year.

The credit policy announced by the RBI few days ago increased the provisioning for real estate commercial loans from 0.4 to 1%, implying costlier bank loans for the sector. However, this appears to be a good move by the RBI to rein in another asset bubble in the real estate sector.

Leading the news

- **Realtors make a cautious comeback**

Analysts say the time is right for expanding although the market has not revived fully and buyers are still hesitant. Flush with money raised through qualified institutional placements (QIPs) and private equity (PE) deals, many builders are eager to cash in on the return of demand. They are cautious, however, and have modified their business models to sidestep risks. For one, they are entering new markets with so-called affordable housing after many of them, during the boom, over-stretched themselves by buying land at steep prices for projects they later withdrew from.

- **Funds just got costlier for builders**

The RBI's credit policy announced on Tuesday appears intended to rein in an incipient bubble in the real estate sector. The provisioning requirement for loans to commercial real estate has been increased from 0.40 % to 1 %, implying costlier bank loans for the sector.

- **Rise in occupier interest for office space in Q3**

According to 'Property Times' - a quarterly DTZ report, Q3 2009 marked the beginning of a consolidation phase in office markets across seven Tier 1 Indian cities. There was a rise in occupier interest with more leasing enquiries. On an overall basis, rentals fell in the range of 4 -6%. Vacancy levels continued to rise mostly because of large new supply completions across all cities. To get the full report, write to divya.pall@dtz.com.

- **Residential realty prices moving up**

Residential real estate prices are going up. In the last three months, prices of affordable apartments have appreciated by around 10 % across the country.

- **Home loan growth down to 5.4 % despite lower rates**

Cheaper loan offers notwithstanding, not many people are borrowing from banks to buy homes. But bank lending to the distressed real estate developers continues to be very high. Loans to the real estate sector grew the sharpest at 41.5 % at the end of August 2009 from a year earlier. The total commercial real estate loan outstanding at the end of August 2009 totalled Rs 96,701 crore, up by Rs 28,353 crore from a year earlier.

Market Intelligence

Recent Transactions

Company Name	Area Leased (sq ft)	Building Name	Micro Market
Motilal Oswal	90,000	Raheja Chromium	Prabhadevi, Mumbai
Girnar Tea	11,500	Centre Point	Parel, Mumbai
Max Bupa	38,000	Salcon Ras Vilas	Saket, Delhi
Chambal Fertilizers	20,000	Baani Corporate One	Jasola, Delhi
Vikram Hospital	132,000	Shenoy Complex	Millers Road, Bengaluru
Delphi Automation	120,000	Kalyani Platina	Whitefield, Bengaluru
First Source	106,000	Pritech SEZ Campus 5A	Sarjarpur Outer Ring Road, Bengaluru

Leading the news

- **Mumbai Makeover may be Back on Track**

Infrastructure projects worth over Rs 37,000 crore are expected to be back on track with the Congress and Nationalist Congress Party (NCP) combine returning to power. The showpiece infrastructure projects include the Worli-Haji Ali Sea Link, Dharavi Redevelopment, Mumbai Trans Harbour Link (MTHL), and the Colaba-Bandra leg of the Mumbai Metro project apart from Mantralaya Redevelopment project. They were delayed because of the election code of conduct that kicked in after the Election Commission announced the election dates in August this year.

- **Commerce Ministry consulting SEZ units prior to tax talks with MoF**

The commerce department is holding consultations with SEZ developers and units on the proposed direct tax code drafted by the revenue department in order to recommend suitable changes to the finance ministry.

- **Kolte Patil forms JV with US firm to develop Rs 275-crore project**

Real estate firm Kolte Patil Developers said it has entered into a joint venture agreement with a subsidiary of US-based Portman Holdings LLC to develop a Rs 275-crore residential project in Pune.

- **Global PE funds focus on Power and Infra sectors**

Activity in India's power and infra sectors seems to be brewing. After a series of fund raising exercises by power companies and the recent announcement of divestment of the largest power generator, NTPC, private equity investors are focusing on this sector to participate in a power global rally.

- **Ireo launches Grand Arch apartments**

Ireo, the first and the largest foreign direct investment (FDI) from a private equity (PE) fund dedicated to the Indian real estate sector and a fully integrated real estate development company, has announced the launch of its first signature property -Grand Arch in Ireo City in Gurgaon.

Source : Market Intelligence and Leading Journals

Private Equity

Q3 Deal Tracker

Investor	Company	Investment (US \$ m)	Details
Matrix Partners	Siesta Hospitality Services	10.0	In the Mumbai-based venture capital fund's fifth investment in less than three months, Matrix Partners has put \$10 million as the sole investor in the first institutional round of funding of Siesta Hospitality Services Limited.
Duet India Hotels	L&T Phoenix Infoparks	45.0	The group has now bought land in Hyderabad for \$12 million for a 220-room hotel and has committed to invest \$45 mn in India
Old Lane Fund Partners	Lodha Group	25.0	With this, Lodha Group has diluted 26% stake in its upcoming project, a 115-acre housing and office complex in Dombivli in Mumbai
Red Fort Capital	3C Company	316.0	Red Fort has picked up a 50% stake in the project.

Source: DTZ Research

DTZ Contacts

Divya Pall – Regional Manager
Marketing Communications, India
divya.pall@dtz.com

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ.

© Copyright DTZ International Property Advisers Private Limited, India November 2009