

Indian Real Estate Roundup - 2007

Anuj Puri, Chairman & Country Head, Jones Lang Lasalle Meghraj, looks back on the year 2007 in Indian real estate

Mumbai, Maharashtra, January 1, 2008 /[India PRwire](#)/ -- BIRD'S EYE VIEW - 2007

- In broad terms, 2007 has been a good year for the Indian real estate sector. All fundamentals are firmly in place, and there have been only isolated 'overheated' pockets.
- The volume of residential sales had slackened, but is now picking up again satisfactorily.
- Of concern have been the facts that too much funds were chasing and continue to chase too few good projects, and that the supply of quality spaces across sectors and geographies did not meet existing demand.
- 2007 also did not resolve the question of whether SEZs in India are merely a 'real estate game' or whether they will serve their intended purpose.

KEY HIGHLIGHTS - 2007

- There were regular auctions and bid transactions of exceptionally high magnitude
- SEBI has been proactive in improving on guidelines for property valuations
- More developers went public and got listed, translating into increased sector transparency and enhanced public wealth.
- The sector continued to operate under considerable shortages of skilled manpower in the construction segment.
- The scrapping of ULCRA in Maharashtra created largely unjustified waves

According to the Associated Chambers of Commerce and Industry of India (ASSOCHAM), FDI in India's real estate market will reach US\$30 billion, as part of a total market size of \$102 billion, in the next decade.

TRENDS – RESIDENTIAL SECTOR - 2007:

- Further strengthening of the township trend
- An increase in transparency via reduced 'cash components' in transactions
- A decisive improvement in quality of projects and technology employed in raising them

TRENDS - COMMERCIAL SECTOR - 2007:

- An overall improvement in efficiency of buildings, thanks to wider adherence to sustainable development/'Green' building norms
- A further consolidation of corporates
- A marked preference of IT SEZs over STPI buildings

MAJOR LAND DEALS - 2007

Mumbai:

- Wadhwa Developers acquired 16,500 sq. meters of land area from MMRDA in a bidding process for a total amount of Rs. 831 crores or Rs. 5.03 lakhs per sq. meters (26th Nov 2007)
- TCG-Hiranandani acquired 28,500 sq. meters of land area from MMRDA in a bidding process for a total

amount of Rs. 1,041 crores or Rs. 3.67 lakhs per sq. meters (26th Nov 2007)

- Reliance Industries acquired land for development of multi-level car parking and commercial complex for Rs. 941 crores (Rs. 3.40 lakhs per sq. meters. - 26th Nov 2007)

Chennai:

- Nitesh Estates acquired 9-acre plot in Boat Club area for a total amount of Rs. 642 crores (Oct 2007)

Delhi:

- DLF acquired Swatantra Bharat Mills (approx. 38 acres of prime land) from DCM Shriram for a total price of Rs. 1,675 crores (Aug 2007)

Kolkata:

- LIC acquired 5-acre plot from Kolkata Municipal Corporation for a total price of Rs. 276.20 crores (Oct 2007)

Other deals:

- Bahrain's Gulf Finance House has signed up with Maharashtra's State government to invest Rs. 40,000 crore for the establishment of a SEZ on 1600 acres near Panvel at Mumbai
- A US-based venture fund bought a 1.2 acre plot on Mumbai's Andheri-Kurla Road from Neelkamal Developers and bhoomi Realtors India Ltd. For Rs. 180 crore
- India's biggest listed developer, DLF, and Dubai's Nakheel have announced a joint venture with plans to invest more than \$10bn to build two townships on 40,000 acres
- Shapoorji Pallonji struck a \$290 million deal with foreign investors, including CVC International and Singapore's GIC. This is the largest land deal in the history of Indian real estate
- Merrill Lynch & Co bought a 49% stake in seven of DLF's residential projects for Rs. 14.81 billion.

WISH-LIST FOR THE SECTOR – 2008 AND BEYOND

Of greatest essence in the coming year and ensuing years are:

- Enhanced and more rationalized role of regulators
- The institutionalization of the real estate sector as a whole
- The training of sector-specific manpower via RICS (UK's Royal Institute of Chartered Surveyors), CoreNet and domestic institutions' initiatives.
- Ensuring that commercial real estate makes a decisive footprint in Tier II and Tier III towns in the form of IT / ITeS
- Greater focus on value housing. This continues to be one of the most significant and safest opportunities, but big developers have largely not catered to it
- Rationalization of the countrywide 'mall mania'

PREDICTIONS - THE NEXT FOUR YEARS

- We will see the introduction of REITs and real estate mutual funds
- We will see further liberalization of FDI in Indian real estate

- We will see the introduction of online Government records
- We will see a lowering of and stabilization in mortgage rates
- Senior Indians will see reverse mortgage emerge as a serious option
- We will see smaller cities catching up with the big cities in terms of potential and attractiveness
- Over the next 1-2 years, we will see corrections and moderation in overheated markets

IMPEDIMENTS TO PROGRESS

The most serious bottlenecks lie in:

- Absence of title insurance against defective titles
- Difficulty for foreign investors in finding suitable Indian partners for FDI
- Varying rules vis-à-vis land in different states
- Difficulty in executing projects due to shortage of skilled manpower resources
- Overheated land prices/inflated land valuations

There can be no timeframe for the resolution of these bottlenecks. However, it is certain that the final introduction of pending reforms and transparency guidelines will ensure that these issues are resolved.

Notes to Editor

Jones Lang LaSalle Meghraj is the pre-eminent and largest real estate services provider in India. The firm services international investors, corporates and local clients who are growing rapidly, both in India and globally.

Jones Lang LaSalle Meghraj provides a strong and deep pool of management expertise with a staff of over 2800, and the largest geographic footprint across India with offices in ten cities. This gives the firm a matchless competitive edge. The company expects to exceed USD 100 million in revenue in the next two years. It represents a robust platform of service delivery, coverage and depth for clients. Jones Lang LaSalle Meghraj specializes in providing real estate advice to corporates and institutions who have either recently arrived in the country or already have an established presence.

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