Light at the end of the tunnel for property developers shines on affordable housing

Besides affordable housing, co-working and warehousing spaces are expected to be major investment opportunities in the real estate market in India. Warehousing business is expected to attract over $5-6 billion from foreign investors over the next 2-3 years.

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Despite the real estate sector experiencing a prolonged period of muted growth, a slew of policy initiatives by the government, especially the push for affordable housing, offers a 6 to 8 billion sq ft development opportunity.
over the next three to four years, a report by CARE Ratings says.

The residential real estate sector has started witnessing some revival as more of affordable housing inventory has started hitting the market during the second half of the financial year 2018. Performances of listed companies - NIFTY Realty constituents in particular - indicate possible improvement in demand and more importantly, sales in the sector, it said.

The report added that the majority of the 6-8 billion square feet potential demand remains unmet.

As per government estimates, over 40 million urban homes need to be constructed by 2022 in order to achieve its housing for all targets.

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During the last 24 months, the government introduced schemes for affordable housing like interest subsidy for low and economically weaker sections, affordable housing being conferred infrastructure status to ease fund availability for these projects and additional tax-benefit for both developers and homebuyers.

The government is expected to fund 15 to 20 percent or roughly Rs 1.2 lakh crore over the next 3-4 years in affordable housing. The remaining is expected to come from private investments and PPP projects.

During the financial year 2018, the sector experienced...
disruption due to introduction of RERA in May 2017. Developers across the country chose to put on hold new project launches in order to gauge the impact of RERA on their ongoing and tentative projects and the regulatory and compliance measures needed to be taken in order to be compliant.

Thus, first half of the financial year 2018 remained tepid for the real estate industry. The second half witnessed large organised developers launching projects in affordable housing segment which catered to the high-demand affordable homebuyers, thereby pushing up their sales during the period, the report said.

The Reserve Bank of India in its monetary policy meeting this month increased housing loan limits for priority sector lending (PSL) eligibility from existing Rs 28 lakh to Rs 35 lakh in metropolitan centres (with population of ten lakh and above), and from existing Rs 20 lakh to Rs 25 lakh in other centres, provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed Rs 45 lakh and Rs 30 lakh, respectively.

This move is expected to bring more residential units situated in peripheral areas of metropolitan regions to be re-categorized as affordable housing units, according to CARE.

Policy developments such as implementation of RERA, allowing investment from PEs and foreign institutions in commercial real estate, industrial warehousing and retail property segment and policy support on the part of government for affordable housing have led to outperformance of realty companies, the report noted.

Private equity investment in the sector crossed the USD 4 billion mark in 2017. The office and warehousing space attracted a majority of this investment.
North-India sold one-third stake in its commercial real estate rental arm for Rs. 8,900 crore to a Singapore based sovereign wealth fund.

Investments in the residential segment have been mostly in the form of foreign funds investing into housing finance companies.

**RERA to address issue of availability of capital**

The introduction of RERA in mid-2017 is expected to be a major driver for availability of capital for developers. Specialized non-banking finance companies have picked up the business of lending to residential and commercial real estate developers in the last 2-3 years and RERA is a major boost for these financing companies.

The capital requirement for the overall sector would be in excess of Rs. 4 trillion over the next 2-3 years especially with more affordable housing projects expected to be launched, the report says.

**Overall prices to remain steady**

The overall price of residential real estate is expected to remain steady. Peripheral markets in larger metropolitan regions will experience correction. The prices are unlikely to witness any major uptick over the next 12 months especially in Mumbai, Bengaluru and Delhi-NCR regions.

**Improvement in commercial real estate**

Fundamentals for commercial real estate have improved with visible improvement in business sentiments. Consolidation across few sectors like telecom may lead to lower incremental growth in occupancy for commercial space from these businesses.

ITES and BPO businesses have shrugged off some of the slowdown worries which would lead to steady demand and...
occupancy from these sectors. BFSI especially outsourced and back-end services, private lenders and fin-tech companies are expected to drive demand especially in tier 2 cities as they move part of their operations from tier 1 cities like Mumbai and Bengaluru to cities like Pune, Mangalore etc.

**Retail demand to pick up in Tier 2 and Tier 3 cities**

Limited inventory addition in retail property segment and significant number of single brands retailers entering India offers some opportunity for the segment with demand expected to pick up in untapped tier-2 and tier 3 cities, the report said.

**Co-working and warehousing spaces to provide investment opportunities**

Apart from affordable housing, co-working and warehousing spaces are expected to be major investment opportunities in the real estate market in India. Warehousing business is expected to attract over USD 5-6 billion, predominantly from foreign investors over the next 2-3 years in the country.

The co-working space business, which provides flexible office space solution at nominal prices, has picked especially across major markets like Mumbai, Pune, Bengaluru, Delhi-NCR and Hyderabad and has also been attracting funds from global investors, CARE Report added.

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NDMC may set Taj Mansingh auction date within a month, tender unchanged: Report

Tata Group's Indian Hotels Company Ltd (IHCL) had emerged as the only bidder for the property last week

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New Delhi Municipal Council (NDMC) may set the auction date for the Taj Mansingh hotel within a month and will not make any changes to the existing tender, *The Economic Times* reports (https://economictimes.indiatimes.com/industry/services/hotels-/restaurants/taj-mansingh-auction-date-to-be-set-in-1-month-tender-unchanged-ndmc/articleshow/64565698.cms).

"The auction will take place on the same tender," a NDMC official said. "NDMC may set the auction date within a month."
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The tender mandates three bidders for the hotel in order for the auction to proceed, but the government could relax the condition to allow two bidders, the report said.

Tata Group's Indian Hotels Company Ltd (https://www.moneycontrol.com/india/stockpricequote/hotels/indianhotelscompany/IHC) emerged as the sole bidder for the property last week, which led to cancellation of the auction scheduled for June 20. June 7 was the last date for submitting bids.

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ITC Hotels (https://www.moneycontrol.com/india/stockpricequote/hotels/itchotels/ITC01) too had submitted a bid but the e-bid could not go through, the report said. "ITC is interested in bidding for the property," an official told *The Economic Times*.

IHCL, which currently operates the property, had earlier moved the Supreme Court to stay the order on grounds that the tender did not take into account the company's "blemish-free" record.

The Supreme Court had in April 2017 permitted NMDC to conduct an e-auction of the hotel, rejecting IIHCL's claim over Taj Mansingh.

The first auction was to be held on January 30 this year, but was scrapped.

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In the daily scale, Trident (http://www.moneycontrol.com/india/stockpricequote/textiles-spinning-cotton-blended/trident/Al01) has given a breakout above its downward trend line placed around 58.50-59 levels on Monday, which suggest bullishness in the stock.

A daily Relative Strength Index (RSI) showing upward momentum and MACD trading below zero line with positive crossover whereas (+) DI just crossover the (-) DI, which indicates that stock likely to move upward further.

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Portfolio check: ICICI Prudential AMC is betting on this mega trend

Midcaps are relatively overvalued than largecaps and what really worked for broader market in the past 2-3 years was fall in commodity prices as well as crude oil prices. But, the trend is fast emerging and is slowly shifting towards largecaps.

Moneycontrol News
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After a stellar rally in 2017, it is unlikely that 2018 will produce a similar return thanks to many macro headwinds such as rising crude oil prices and interest rates globally, S Naren, CIO, ICICI Prudential AMC, said, adding there are enough reasons for volatility to dominate markets in the next 12-18 months.

Speaking to CNBC-TV18, Naren said he prefers largecaps over...
midcaps and smallcaps over the next few years. “Midcaps are relatively overvalued than largecaps. In the past 2-3 years, fall in commodity prices as well as crude oil prices really worked for the broader market. But the trend is fast emerging and is slowly shifting towards largecaps.”

He sees the next mega trend emerging in healthcare, pharmaceuticals, and diagnostics. This despite the sector not doing much in the last 2-3 years. Explaining his rationale, Naren said, “As the whole world becomes older, it will help pharma companies. We think see it as one of the big megatrends for the next 20-30 years. Current prices offer investors the comfort of valuations and a good entry point.”

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