

India Real Estate

JM Real Estate News Tracker



We highlight this week's Real Estate news we are tracking.

- **HNI's moving away from equities to real estate and debt:** High net worth individuals (HNIs) are gradually shifting away from the equity market, show the latest data from Association of Mutual Funds of India (AMFI). According to market trackers, fixed maturity instruments and real estate are back on the radar of these investors. Monthly investment through the systematic investment plans (SIPs), which is largely driven by retail investors, has remained constant at around \$1 billion per month in the past three months. But, the share of HNI and discretionary inflows in the total domestic equities flow dropped to 39% in the past two months compared with 55% in the past one year. Fixed maturity plans (FMPs) are becoming more lucrative giving interest rates between 8.4 per cent and 8.75 per cent. In May 2018, FMP funds collected nearly Rs 12,000 crore. Another reason for the HNI shift is the rising attractiveness of real estate due to lower relative valuation. ([Source](#))

JM View: Improving demand from investors will be an important monitorable for real estate asset class. However the return expectations from RE investment -especially residential- will need to factor in higher transaction costs (GST). In addition churning the real estate is more expensive on account of immediate registration on payment of 10% of unit cost. We believe higher demand could be for commercial properties which offer good yields and high rental growth opportunity..

- **Govt notifies regulations for Tamil Nadu RERA:** Nearly a year after the Tamil Nadu Real Estate Regulatory Authority (TNRERA) came into effect, the state government has notified regulations for the body. The regulations also cover the Andaman & Nicobar Islands. "The regulations have given the format that needs to be submitted at the time of withdrawing the 70 per cent deposits from the designated bank account after completion of the constructions at different stages," a TNRERA official said. As per the regulations, complainants can inspect the records of the ongoing or concluded cases with the real estate authority with a rider. According to the notified regulations, those inspecting the records, should not record or take notes of the documents. ([Source](#))
- **Demand for co-working spaces set to rise- Knight Frank India:** The demand for co-working space in the country is rising with around 200 co-working players running an estimated 400 shared workspaces across the country as compared to just Regus and few localised players in 2010 running less than 30 such centres. "While co-working companies accounted for just under 1.8 msft of the 41 msft annual commercial office space transactions volume, the expansion plans of major players and the increasing appetite for this format from occupiers, property owners and co-working operators should see annual transaction numbers triple from current levels over the next three years," the report said. While Regus is the most established and largest shared workspace operator in the country today with approximately 2 million sft and 20,000 seats under operation, WeWork and CoWrks are among the newest and most aggressive players in the co-working space, it added. In the first quarter of 2018, Bengaluru accounted for 43% of co-working space, NCR 16%, Hyderabad 15%, Pune 12%, Mumbai 10%, Ahmedabad 3% and Chennai 2%, the report said. ([Source](#))
- **Navi Mumbai: CIDCO plot sold at Rs 1,33,000/sq mts:** A plot, located in Nerul's sector 19A, that was being auctioned by CIDCO in Navi Mumbai at a reserve price of Rs 95,000 per sq mts, was finally sold for Rs 1.33 lakh per sq mts. CIDCO officials say that they were expecting the price to go further north. A plot measuring 13,619 sq mts was put on auction by CIDCO, there were six bidders, of which Moreshwar Group, who had quoted Rs 1,33,333 per sq mts, won. The details were confirmed by Mohan Ninawe, the PRO for CIDCO. The plot was sold for a total of Rs 181 crore. Three years ago, a similar Cidco plot was sold at the rate of ₹2.92 lakh per square metre, as builders quoted exorbitant rates to bag it. ([Source](#))

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Key news track

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- ✓ Navi Mumbai: CIDCO plot sold at Rs 1,33,000/sq mts
- ✓ Oberoi Realty raises INR 12bn through QIP
- ✓ DLF, Embassy, Brigade, others to add 20 million sq ft space in Chennai in next two years
- ✓ Real estate bodies urge CM to extend enforcement of development plan
- ✓ Actis raises \$750-mn Asia realty fund to acquire StanChart's portfolio
- ✓ Piramal Capital grants INR 2bn to Appaswamy for land acquisition
- ✓ MahaRERA affirms right to decide pre-act cases
- ✓ New IBC ordinance whittles down RERA powers- MahaRERA Chief
- ✓ Westbridge leads investment in co-working space provider IndiQube
- ✓ No RERA registration, no finance in Karnataka
- ✓ Axis bank, others hike interest rates on loans

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- **Oberoi Realty raises INR 12bn through QIP:** Oberoi approved the issue and allotment of 24mn Equity Shares of face value Rs. 10 each to eligible qualified institutional buyers at the issue price of Rs 500 per Equity Share (including a premium of Rs. 490 per Equity Share) against the floor price of Rs. 509.29 per Equity Share, aggregating to Rs. 1200 Crore (Rupees One Thousand Two Hundred Crore only), pursuant to the Issue. The equity shares increase from 339.6mn to 363.6mn with company raising INR12bn. Company intends to use the Net Proceeds for various purposes, including but not limited to, (i) acquisition of land, land development rights or development rights (directly or indirectly through any other means) by paying premium, fee or charges as required under applicable laws to the regulatory authorities; (ii) working capital requirements of the our Company; (iii) to invest in our Subsidiaries, Joint Ventures and affiliates; (iv) capital expenditure; (v) repayment of debt; (vi) any cost incurred towards the objects of our Company; and (vii) general corporate purposes as per our Company's growth and business related plans from time to time. ([Source](#))
- **DLF, Embassy, Brigade, others to add 20 million sq ft space in Chennai in next two years:** Leading property developers from across the country are lining up large IT and office space in Chennai, with nearly 20 million sqft of assets under various stages of construction and expected to be occupied between now and just after 2020, enhancing the IT workforce in the city. While DLF (expansion), K Raheja Corp and RMZ are focused on Mount Poonamallee Road, Embassy has a 4.9million sqft IT SEZ coming up fast on the 200ft Pallavaram-Thoraipakkam Radial Road, while Brigade has a World Trade Centremixed development project lined up on OMR, and DLF is coming up with an IT SEZ at Taramani. While Chennai each year witnessed a gross absorption of 4.5 million sq ft-5 million sq ft, the absorption fell from about six million sq ft in 2016 to just about four million sq ft in 2017 due to lack of supply. While the situation in Chennai with regard to demand and supply in the office space absorption has remained steady over the years, the sudden increase over the next couple of years is attributed to the SEZ benefits entering the sunset period. While the benefits are expected to end by 2020, units that move in or commit space by then, will continue to reap the advantages for the next 10-15 years. ([Source](#))
- **Real estate bodies urge CM to extend enforcement of development plan** Various bodies representing the real estate industry have asked chief minister Devendra Fadnavis to extend the enforcement of Development Plan 1991, and Development Control Regulations, 1991. Fadnavis, said sources, has agreed to the demand. The demand has been made as a major part of the Development Plan 2034 has been marked as Excluded Plan (EP) for which suggestions and objections have been invited from the public by June 23. It is also when the sanctioned plan (Schedule A) comes into force. Experts estimate nearly 40-60% of DP-2034 is in the EP. The EP comprises changes made to the plan by the state government after it was approved and passed by the BMC general body. The changes are substantial and alter the character of DP-2034. Hence, the government is required under the Maharashtra Regional Town Planning Act to invite suggestions/objections.. ([Source](#))
- **Actis raises \$750-mn Asia realty fund to acquire StanChart's portfolio:** UK-based private equity (PE) fund Actis has started raising a \$750-million (Rs51.3 billion) real estate fund to acquire the Asia realty portfolio of Standard Chartered's private equity. Actis, formerly part of the British government's development arm, CDC, signed an agreement with StanChart earlier this year. The latter PE's team is set to join Actis. StanChart's real estate portfolio is spread across India, China, South Korea and Southeast Asia. Standard Chartered's Asia realty portfolio has three joint ventures in India — with Tata Realty & Infrastructure for buying commercial assets, Mahindra LifeSpaces for residential projects. The Shapoorji Pallonji group for affordable housing. ([Source](#))

- **Piramal Capital grants INR 2bn to Appaswamy for land acquisition:** Piramal Capital and Housing Finance, a subsidiary of Piramal Enterprises, on Monday said it has sanctioned Rs 200 crore in structured equity to Chennai-based Appaswamy Group to finance its land acquisition initiatives. The money allocated will be used to acquire 3.34 acres at Kotturpuram in Chennai. Appaswamy will be buying the land parcel from the TVH Group to build a residential project with potential sales revenue over Rs 1,000 crore, said a joint statement by both companies. "Within South India, Chennai is an important market... Since inception in 2014, we have sanctioned and disbursed Rs 3,500 crore in Chennai alone," said Khushru Jijina, managing director of Piramal Capital and Housing Finance. ([Source](#))
- **MahaRERA affirms right to decide pre-act cases:** Dismissing a realty developer's defence for unilateral cancellation of the allotment of houses to home buyers in February 2017, the Maharashtra Real Estate Regulatory Authority (MahaRERA) has ruled that the authority can still adjudicate complaints even if it happened before RERA came into force. The developer had argued that since the cancellation was executed prior to the real estate regulator's coming into force on May 1, 2017, there was no cause of action. MahaRERA, however, ruled that it can still adjudicate the complaints since the developer has not refunded money to the home buyers yet. ([Source](#))
- **New IBC ordinance whittles down RERA powers- MahaRERA Chief:** Maharashtra's realty sector regulator MahaRera has questioned the rationale behind government decision to treat homebuyers as financial creditors by empowering them to drag their builders to NCLTs, saying the move whittles down its powers. City-based consumer body Mumbai Grahak Panchayat (MGP) also echoes similar views, saying it would have been better if the government empowered Rera itself since it is an exclusive law to deal with the real estate sector and not to take the IBC route. MahaRera chief Gautam Chatterjee feels that the Rera should be the sole authority to redress consumer grievances in the realty space even though he has welcomed the Central government decision to empower homebuyers by giving them the status of financial creditors under the bankruptcy law. MahaRera, the first such watchdog to be set up in the country, has opined that there is no need to unnecessarily create an understanding or misunderstanding for homebuyers whether to go to the Rera or the National Company Law Tribunal (NCLT) if her developer fails to complete the project on time. ([Source](#))
- **Westbridge leads investment in co-working space provider IndiQube:** Co-working space provider IndiQube has raised Rs 100 crore (\$15 million) in funding led by investment firm Westbridge Capital. Ashish Gupta, co-founder of Helion Ventures and the first angel investor in Flipkart, has invested in IndiQube in his personal capacity. He also serves on the advisory board of the company. IndiQube, which counts Redbus, Bluestone and Fresh Menu among its customers, has 25,000 seats spread across 1.4 million sqft. At least 14,000 seats are in Bengaluru. The city has led the total absorption of co-working space in the country, accounting for about 32%, or 1.1 million sqft, last year, followed by Mumbai (18%), said a report from independent property consultancy Colliers International released in February. ([Source](#))
- **No RERA registration, no finance in Karnataka:** Karnataka RERA has found an effective way to ensure that developers don't sell projects that are not registered with RERA. Cut off all sources of formal funding till the project is registered with the portal, showing all approvals and compliances and the industry toes the authority line. To further enhance how the unregistered projects are brought to the portal, technology interfaces have been perfected in the last four months. This includes layering of time series, GIS (Geographic Information System) data and certain templates to yield information. Linking that information with NATLog and the system is expected to do well. ([Source](#))

- **Axis bank, others hike interest rates on loans:** More banks have hiked lending rates almost a fortnight after the Reserve Bank of India (RBI) raised key interest rates in its monetary policy. Axis Bank raised its one-year marginal cost of lending rate (MCLR) to 8.6% from 8.5% earlier. Syndicate Bank also revised its MCLR and raised rates for the one-year tenor by 5 basis points (100bps = 1 percentage point) to 8.55%, keeping all other rates unchanged. State-owned Andhra Bank too increased the MCLR-based lending rate by 5bps to 8.55% for various tenors. IDBI Bank meanwhile hiked interest rates on term deposits with effect from June 18, 2018. The bank now offers a return of 6.7% on deposits from one year to two years as against 6.5% earlier. Given the rise in interest rates following bank credit growth outstripping deposits, several non-banking finance companies (NBFCs) like Bajaj Finance have increased rates on deposits.[Source](#)

APPENDIX I

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