

A SPECIAL REPORT ON INDIAN REAL ESTATE INDUSTRY DECEMBER 2021



A GBS KNOWLEDGE PERSPECTIVE



Compiled by
Guidant Business Solutions

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Introduction

Real estate sector is one of the most globally recognized sectors. It comprises of four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodations. In India, the real estate sector is the second-highest employment generator, after the agriculture sector. It is also expected that this sector will incur more non-resident Indian (NRI) investment, both in the short term and the long term.

Market Size & Future Growth

India's real estate market size is Rs.12, 000 Crore (US\$ 1.72 billion) and it is estimated to grow to Rs.65, 000crore (US\$ 9.30 billion) by 2040. Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 from US\$ 120 billion in 2017 and contribute 13% to the country's GDP by 2025. Retail, hospitality, and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs. Indian real estate is expected to increase by 19.5% CAGR from 2017 to 2028As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date.





The Real Estate demand will increase by 15-18million sqft by 2025. Demand for residential and commercial is rising due to urbanization, better affordable lifestyle and increasing income. India is among the top 10 price appreciable residential market. The organized retail stock is accepted to increase 25 -30% taking it to 82 million sqft by 2023. The regulatory body like RERA approved compliances make more transparent and resilient quality assurance. The lower interest by bank also reduction of stamp duty registration cost attracted lot of real buyers. The quality life style and affordability have created the demand where corporate are coming in to real estate market like Oberoi Realty Godrej Property , Sunteck Realty, DLF, Indiabulls, Raymond Realty, Piramal Realty and Tata housing which are giving world class quality standard aesthetic look with all these luxurious amenities. In 2021 India attracted 2.4US\$ investment (52%growth YOY) and FDI stood at US \$51.5 billion between April to June 2021.

Ravi Shankar Srivastava

**Managing Partner –
Client Acquisition &
Entrepreneurial
Development**



The Real Estate in India is known for it's volatility. It is by far, the most rewarding sector for investors wanting expecting a decent RoI. It has been consistently registering growth year-on-year after mass-scale urbanization is seeing a rise in the Indian sub-continent. This sector has always been in the fore front, and with reformatory approaches to regulate the various malpractices that were seen, it promises to develop further. The pandemic, however, has severely impacted the sentiment of investors, not only in this sector, even across the spectrum of all economic activity. Thus, this sector has also taken a beating, and is seeing a lull. However, with norms being reversed, and with the initial signs of recovery, this sector is all set to bounce back. It is, however, too early to comment on how this sector will behave, but the current level of activity that is being observed is suggesting that it's going to get back on it's feet far sooner than expected.

Jaykumar Acharya

**Managing Partner –
Leadership &
Process Expert**



Real Estate has been the most skeptical space for investors due to the looming threat of the pandemic waves for past two years. But the sector has bounced back well after the second wave taking its sales to pre Covid levels in no time. The global pandemic has come as a blessing in disguise for real estate, helping the industry establish its importance in the residential segment. The changing dynamics has opened up avenues for buyers to look at a better lifestyle. Perceiving the revival potential of real estate, the government also came up with progressive policies to give a boost to the industry. In order to push the economy, the government took initiatives to reduce the tax incentives, providing a conducive environment to encourage home buyers. Considering the panoramic view of the industry, the future of the sector seems promising and the industry may reach its peak in the next 2 years.

Shardul Srivastava

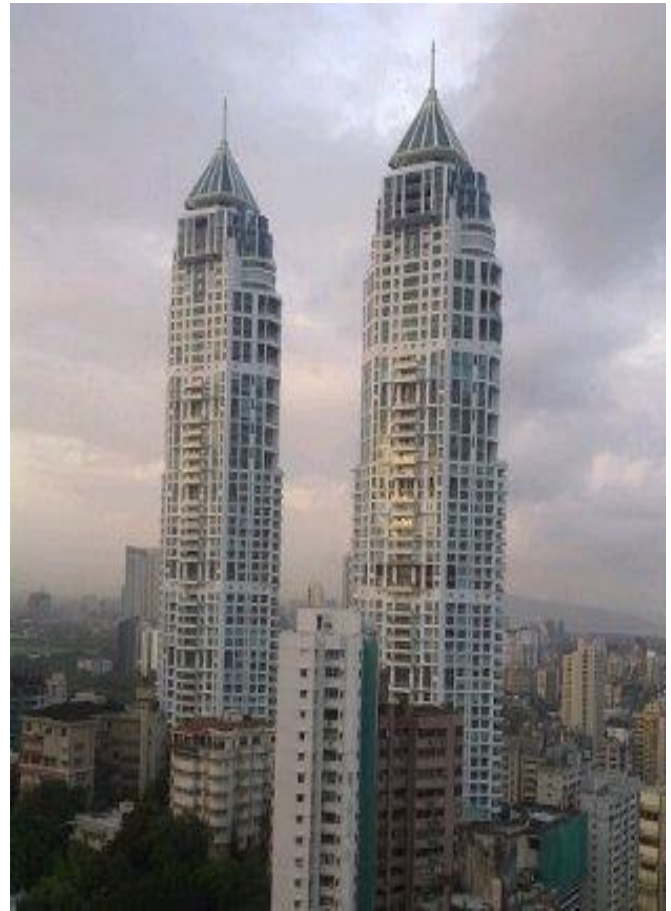
**Managing Partner –
Client Relations &
Start-Up Cell**

Market Segmentation & Trends

Commercial Sector - In 2020, the manufacturing sector accounted for 24% of office space leasing at 5.7 million square feet. SMEs and electronic component manufacturers leased the most between Pune, Chennai and Delhi NCR, followed by auto sector leasing in Chennai, Ahmedabad and Pune. The 3PL, e-commerce and retail segments accounted for 34%, 26% and 9% of office space leases, respectively

Retail Sector - Retail real estate and warehousing segment attracted investments of US\$ 220 million and US\$ 971 million, respectively, in 2020. Grade-A office space absorption is expected to cross 700 msf by 2022, with Delhi-NCR contributing the most to this demand.

Residential Sector - Housing launches were 86,139 units across the top eight Indian cities in the second half of 2020. Home sales volume across eight major cities in India jumped by 2x to 61,593 units from October 2020 to December 2020, compared with 33,403 units in the previous quarter, signifying healthy recovery post the strict lockdown imposed in the second quarter due to the spread of COVID-19 in the country



Trends to look out for in 2021

Robust demand for affordable housing

Buyers likely to prefer large, secure homes

Tier-2 and tier-3 cities to witness greater demand

Ready homes to remain a preferred option

Government Initiatives

Government of India along with the governments of respective States has taken several initiatives to encourage development in the sector.

The Smart City Project, with a plan to build 100 smart cities, is a prime opportunity for real estate companies. Below are some of the other major Government initiatives:

- Under Union Budget 2021-22, tax deduction up to Rs. 1.5 lakh (US\$ 2069.89) on interest on housing loan, and tax holiday for affordable housing projects have been extended until the end of fiscal 2021-22.
- The Atmanirbhar Bharat 3.0 package announced by FM Mrs. Nirmala Sitharaman in Nov 2020 included income tax relief measures for real estate developers and homebuyers for primary purchase/sale of residential units of value (up to Rs. 2 Crore (US\$ 271,450.60) from Nov 12, 2020 to June 30, 2021).
- In Oct 2020, the Ministry of Housing and Urban Affairs (MoHUA) launched an affordable rental housing complex portal.
- On Oct 27, 2020, the government announced the application of Real Estate (Regulation & Development) Act, 2016 in the union territory of Jammu & Kashmir. This has paved the way for any Indian citizen to buy non-agricultural land and property, as opposed to the eligibility of only local residents earlier.
- In order to revive around 1,600 stalled housing projects across top cities in the country, the Union Cabinet has approved the setting up of Rs. 25,000 Crore (US\$ 3.58 billion) alternative investment fund (AIF). Government has created an Affordable Housing Fund (AHF) in the National Housing Bank (NHB) with an initial corpus of Rs. 10,000 Crore (US\$ 1.43 billion) using priority sector lending short fall of banks/financial institutions for micro financing of the HFCs.
- As of Jan 31, 2021, India formally approved 425 SEZs, of which 265 were already operational. Most special economic zones (SEZs) are in the IT/ BPM sector.



Affordable Rental Housing Complex

Ease of living for Migrant Workers /Urban Poor

Rental accommodation for Migrants, Urban poor in Industrial sector, Service Industry, Manufacturing sectors, Institutions & Associations.

- Use of existing Government funded Housing Stock (JnNURM/RAY) as ARHCs
- Incentivising Private/ Public Agencies for construction of ARHCs



Impact of Pandemic on Real Estate

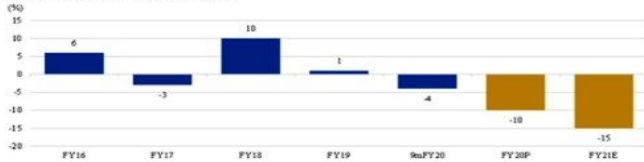
COVID-19 IMPACT

Real Estate Sector



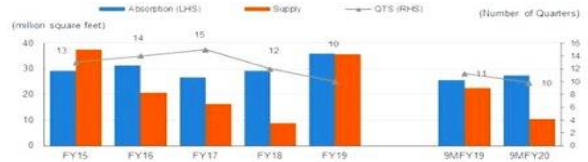
A Four-Year Low in Sales Growth Likely Due to COVID-19

Residential real estate sales growth for top 6 cities



Source: LiasesForas, India Ratings

Commercial Office: Overall absorption for Top 6 cities continued to outpace supply since FY16



Source: LiasesForas, India Ratings

Retail malls as well as the already cash starved residential segment to remain most exposed to the COVID related lockdown and the lingering effect it would have on the economic growth and demand revival. On the other hand, the commercial office segment is likely to be least affected in the near term, given the stability of cash flows underpinned by long-term leases with strong counterparties as well as access to capital.

The impact of Corona virus on the Indian real estate sector was stifling to the point that it brought property transactions to a near-halt last year when the nation went into a complete lockdown between March and June 2020. Since then, the market has taken several strides towards recovery, and just when it seemed the revival was not far, the country was struck by another wave of the virus, this time, far more fatal. But after the announcement of the nationwide lockdown, it was extensively predicted that this will be the year of real estate's greatest fall. The outcome was quite the opposite, with November 2020 recording the highest number of residential registrations in almost a decade. However, with an aggressive vaccination drive across India, the real estate sector has started showing signs of a sustainable recovery.

From halted construction activities to a mass exodus of migrant workers, the year 2020 was a watershed year in the history of economic downturns. From negligible homebuyer enquiries and site visits to incessant curbs on the construction activities, the crisis caught the real estate sector unawares. After a series of lockdowns and restrictions, the country started to get back on its feet by July 2020.

Experts anticipated that the market could recover completely in 2021, given that the enquiries, site visits and sales had started nearing the pre-COVID levels in most cities. However, the resurgence of Corona virus in a more lethal form by March 2021 sparked fears far worse than the last year. With several cities like Mumbai, Pune and Delhi NCR undergoing partial lockdowns and masses struggling for healthcare, the realty sector has seen another blow. Buyers have retracted once again from conducting site visits, thus slowing down property transactions. The industry experts are of the opinion that the recovery will be highly dependent on the way India deals with the second wave of Corona virus and carries out the mass vaccination program. Now, Indian real estate market is showing signs of steady recovery with both residential and commercial property segments recording robust performance in the July-September quarter.

Real estate activity gained momentum during the quarter as the country began to cautiously return to normal economic tempo supported by aggressive vaccination drives.



➤ **DLF Ltd: Revenue** - Rs.7,766 Cr - DLF is the largest publicly listed real estate company in India, with residential, commercial, and retail properties in 15 states and 24 cities.



➤ **Prestige Estates Projects Ltd** - Revenue: Rs.6, 518 Cr - Founded in 1986, having completed 210 projects covering over 80 million sq. Ft., currently, the company has 53 ongoing projects spanning 54 million sq.Ft. and 35 upcoming projects aggregating to 48 million sqft of world-class real estate space across asset classes.



➤ **NBCC India Ltd** - Revenue: Rs 6,384 Cr - NBCC with its Headquarter in Delhi, today, holds the status of Navratna CPSE and has emerged as the undisputed leader in the Construction Sector on the back of its capabilities, innovative approach, adherence to the highest standard of quality, timely delivery and a dedicated workforce.



➤ **Anshuman Magazine, Chairman & CEO, India, South East Asia, Middle East & Africa, CBRE Commercial real estate** to remain robust and evolve. Commercial Real Estate has witnessed strong interest from sectors such as technology, banking, financial services, research, and consulting coupled with operators providing flexible space resulted in a sustained annual growth in office absorption.

Offices are expected to focus on the distribution of core and flexible spaces in their premises and some might even want satellite offices or use a temporary hub, aiming to lower their capex and improve agility. Given the growing requirement for limited human touch points, companies would have to take a relook at their digitisation strategy. Adoption of touch less technology is expected to be a focus area.

Moreover, in the long run, innovative technologies would also pave the way to streamline sanitation costs being borne by developers and occupiers alike.

As diligence for the disease takes center stage, developers and investors will also increasingly focus on making their portfolios resilient against not just environmental shocks but also pandemics. It is expected that “pandemic clauses” would be a part of all building resilience strategies in the coming future.

We also expect real estate investment trusts (REIT) to continue to gain traction, even though there will be greater scrutiny on quality of assets, sustainability elements and portfolio resilience.



➤ **Arshdeep Sethi, Senior Managing Director, RMZ Corp** – Real estate can be a leader in driving a circular economy, what does circularity mean for the real estate sector?

By reducing the use of raw materials for construction; using renewable energy; and prolonging the life of an asset the sector can dramatically reduce its carbon footprint while designing great places to work and live.

Research has found that a material efficiency intervention for buildings and infrastructure has the highest emissions reduction impact, followed by enhancing building utilization.

To truly achieve circularity in real estate, a two-fold approach needs to be adopted: firstly, to optimize the resources toward the creation of the built environment; Secondly, to maximize the potential of land and built environment in terms of use and adaptability

Sustainability is becoming increasingly important in real estate development.

Rather than focusing simply on direct environmental impact, sustainability considers the impact of building materials from their sourcing to final use.

Sustainable environmental design needs to be integrated into the real estate industry for it to grow while being resilient to what the future has in store, and circularity will be key to achieving these goals.

Flexibility can be achieved by optimum use of underutilized spaces through innovative designs, while adaptability comes from creating resilient buildings that are smoothly able to adapt to changing market conditions and consumer expectation.

According to the same report by Arup and BAM, approximately 20-40% of building energy could be profitably conserved.

For example, a product-as-a-service model, where the payment is based on service and is not a fixed amount, will incentivise a building operator to run sustainable buildings.

A more circular built environment entails a shift in thinking and business models and in turn a far more collaborative approach.

The Road Ahead

The Securities and Exchange Board of India (SEBI) has given its approval for the Real Estate Investment Trust (REIT) platform, which will allow all kind of investors to invest in the Indian real estate market. It would create an opportunity worth Rs. 1.25 trillion (US\$ 19.65 billion) in the Indian market in the coming years.

The residential sector is expected to grow significantly, with the central government aiming to build 20 million affordable houses in urban areas across the country by 2022, under the ambitious Pradhan Mantri Awas Yojana (PMAY) scheme of the Union Ministry of Housing and Urban Affairs.

The current shortage of housing in urban areas is estimated to be ~10 million units. An additional 25 million units of affordable housing are required by 2030 to meet the growth in the country's urban population.

The growing flow of FDI in Indian real estate is encouraging increased transparency.

Developers, in order to attract funding, have revamped their accounting and management systems to meet due diligence standards.

Indian real estate is expected to attract a substantial amount of FDI in the next two years with US\$ 8 billion capital infusion by FY22

- **DLF to launch 7.7 million sq ft of real estate projects in second half of FY22**

DLF Ltd plans to launch 7.7 million sq ft of real estate projects in the second half of 2021-22 with projects that includes value homes, premium housing and commercial properties, said a senior executive in an analyst call. This is one of the biggest targets set by the real estate developer in recent times.

The company is also expected to announce the launch of the first phase of Midtown West, a premium residential complex on Shivaji Marg in central Delhi's Moti Nagar, which it will develop in a joint venture with Singapore sovereign fund GIC. The project, with a revenue potential of Rs 12,000-15,000 crore, will have 3-4 BHK apartments.

This will be the first residential project of the joint venture, which already operates over 32 million sq ft of office space

- **Tatas to invest ₹150 crore in ultra-luxe Hailey Road project**

Tata Realty and Infrastructure Ltd. will develop ultra-luxury residential apartments near Hailey Road, Delhi with an investment of ₹150 crore, a top executive told ET. The company is in the process of getting approvals from the New Delhi Municipal Corporation (NDMC).

"We're hoping to get the approvals by next year. As soon as we get the approvals, we will start the project," said Tarun Mehrotra, business head, north & east India, Tata Realty and Infrastructure Ltd.

- **Indiabulls Housing Finance to raise Rs 1,000 crore**

Indiabulls Housing Finance said it will raise up to Rs 1,000 crore through a public issue of bonds that opens next week.

The base issue size of the bonds, in the nature of secured redeemable non-convertible debentures (NCDs), is of Rs 200 crore with an option to retain over subscription up to Rs 800 crore, aggregating up to Rs 1,000 crore, Indiabulls Housing Finance said in a regulatory filing.

The issue opens on December 9 and closes on December 20, the company said. The bonds are rated AA/stable by Crisil and BWR.



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Key Business Processes	Sub-Processes
1. Client Acquisition	Strategic Objective, Buss Need, Buss Dev, Marketing, Sales
2. Client Servicing	How will you ensure servicing the client?
3. Quality Mgmt	How will you ensure Quality of delivery to the client?
4. Operations	How are the various sub-processes integrated to ensure delivery?
5. Service Delivery (Int)	Details to which internal customer processes are developed
6. Outsourcing	The Make/buy Algorhythm
7. Service Provider Mgmt	Managing Vendors, Suppliers, External Partners
8. Financial	Financial and Accounting Sub Processes
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10. Logistics (I/O)	Inner/ Outward movement of tangible/ intangible items

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