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Real Estate News Letter

19th September, 2011 to 25th September, 2011

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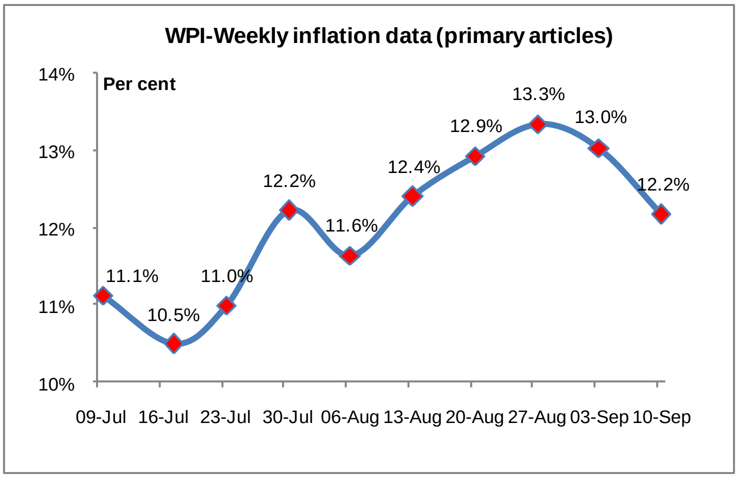
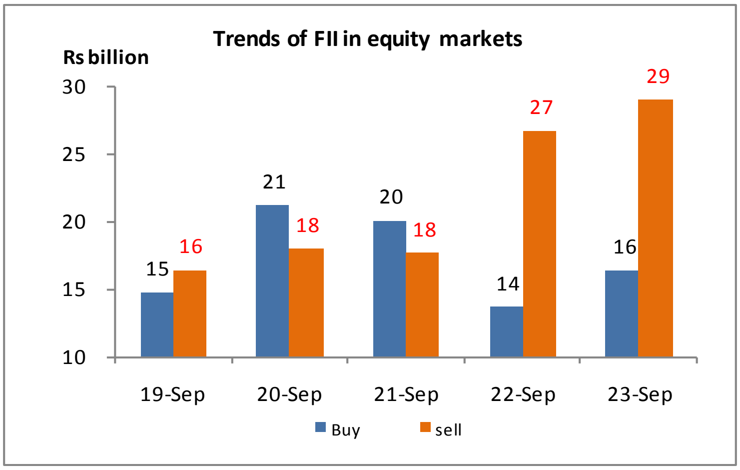
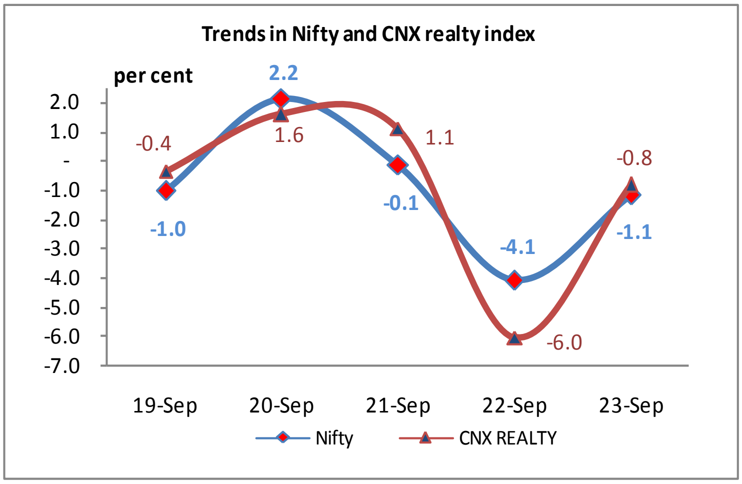
Snapshot



Source : NSE



Source : SEBI



Source : Ministry of Commerce and Industry

Interest Rates

SBI extends 25 bps discount on home loans till December

State Bank of India (SBI) on Wednesday extended 25 basis point concessional home loan scheme till December this year. Under the scheme, SBI offers 25 bps discount on interest rates on its card rate across the tenor of a floating home loan. The scheme which was open till October 31, 2011, has now been extended till December 31, 2011.

"A concession of 0.25 per cent in the card interest rate over the tenor of the home loan is available under the ongoing special home loan campaign up to December 31," the bank said in posting on its website. Under the scheme, a borrower will now be charged an interest of 10.50 per cent as against the earlier 10.75 per cent on loans up to Rs 30 lakh. Similarly, a loan above Rs 30 lakh, but up to Rs 75 lakh, will attract an interest of 10.75 per cent, as per the new scheme.

In order to attract home loan customers, rivals like ICICI Bank, HDFC and LIC Housing Finance have recently launched dual interest rate products offering a fixed rate of interest to start with, which will be later aligned to the base rate as the loan progresses.

The Economic Times, 22nd September, 2011, Mumbai

After banks, housing finance cos to do away with prepayment penalty

In a big relief to home loan borrowers, National Housing Bank (NHB), the regulator for housing finance institutions (HFIs), is planning to direct HFIs to remove pre-payment penalty imposed on floating rate loans.

This follows a recent recommendation to this effect by the Reserve Bank of India (RBI) to commercial banks. Banks impose a penalty of over 2% of outstanding principal on borrowers who repay, in totality or a portion, of their home loan ahead of tenure. Earlier this month, the RBI said banks must not recover pre-payment charges in floating rate loans, especially since they are in a better position to manage the interest rate risk than the customer.

“Floating rate loans pass on the interest rate risk from banks, which are much better placed to manage it to borrowers and, thus, banks only substitute interest rate risk with potential credit risk. The bank will, however, be free to recover or charge appropriate pre-payment penalties in case of fixed rate loans,” the RBI said while recommending the removal of this levy.

Nearly 70% of the housing loans consist of floating rate loans.The move would help customers, especially now that interest rates have gone up sharply over the past 18 months. In May 2010, the finance ministry advised banks to remove prepayment levy, or foreclosure charges, if a borrower repays her home loan out of her “own funds”. Most banks as well as HFIs have already implemented this suggestion. Now, this waiver is also being extended to prepayment of home loans refinanced by another loan. A total of 52 HFIs accounted for nearly 40% (R 1.86 lakh crore) of the total R 4.75 lakh crore outstanding housing loans as on June 30, 2011.

Verma further said that NHB was keeping a close watch on the “asset quality in the sector to ward off any signs of stress”. Last week, NHB, a development finance institution wholly-owned by RBI, raised provisioning requirements for doubtful assets of HFIs. Even for standard assets, it has mandated HFIs to set aside 0.4% capital. For sub-standard assets, the provisioning requirements have been raised to 15% from 10%, while for doubtful assets of more than three years, the provisioning has been doubled to 100% from 50%. “Credit quality has been engaging our attention. We have taken these measures to ensure keep a check on bad loans,” said Verma.

The Financial Express, 22nd Sept. 2011, New Delhi

Navi Mumbai to get 2 new flyovers

In a significant move aimed at decongesting the traffic movement on Sion-Panvel and Thane-Belapur highways (towards Pune and Goa), the City and Industrial Development Corporation (Cidco) has decided to build two flyovers in Kharghar, Taloja and Kalamboli.

The flyover between Kharghar and Taloje Panchanand will cross over the Diva-Panvel railway line as well as the old Mumbai-Pune highway. thus helping in decongesting the traffic on both roads.

The flyover will also offer access to the traffic plying within Kharghar, Taloja and Kalamboli.

Another flyover between Kalamboli and Taloja MIDC will help in binging down the backlog of traffic on the Sion-Panvel highway. This bridge will help in making container traffic movement easy, without the hurdle of the railway crossing.

While the Taloje Panchanand-Kharghar flyover will cost around Rs 44 crore, the Kalamboli-Taloja flyover has an estimated cost of Rs 51 crore. Both the flyovers would be around 900 m to 1 km long and are expected to be complete in another three years.

The Times of India,19th September, 2011, Mumbai

Pitroda to head panel on Railways modernization

A committee headed by technocrat Mr Sam Pitroda has been asked to come up with suggestions to modernise Indian Railways, said Mr Dinesh Trivedi, Union Minister for Railways. "We want a big leap forward for the railways. Mr Pitroda who revolutionised the telecom sector will help us to use fourth generation technology to improve the railways," said Mr Trivedi.

The focus would be on tracks, signalling, rolling stock, stations and terminals. Issues concerning organisation especially management, resource mobilisation and professionalisation of manpower would be considered by the committee.

Providing capability for safe, secure and productive freight and passenger trains would also be on the agenda, the Minister said. Modern signalling technologies would be explored for maximising track utilisation and high speed operations with safety, he added.

The committee is also expected to address issues relating to PPP on process management, bidding and unused railway assets.The Government wants to upgrade the railways infrastructure with latest services and facilities, he added.The other members of the committee include Mr Deepak Parekh, Chairman, HDFC Bank; Mr M.S. Verma, former Chairman SBI; Professor Raghuram, IIM-Ahmedabad; Dr Rajiv Lal, MD, IDFC and Mr Vinayak Chatterjee, Chairman, Feedback, Infrastructure Services Ltd. The group is expected to submit its recommendations by December.

The Hindu Business Line, 22nd September, 2011, New Delhi

3 km of Metro Phase I to be ready by March 2012

First it was December 2010, then June 2011 and now the Mumbai Metro One Private Limited (MMOPL) claims that Mumbaiites will be able to ride in the metro in March 2012. It comes with a rider though. Only 3 km of the 11.07-km Versova-Andheri-Ghatkopar Metro line is expected to be complete by March next year.

"We target to achieve commercial operation date of the Versova-Azad Nagar section by March or April 2012, depending upon the receipt of all statutory clearances," said a senior MMOPL official recently. MMOPL officials have claimed that the trial run on the Versova, DN Nagar and Azad Nagar stretch is expected to start by February and if all goes as planned, this stretch will be thrown open to commuters by March or April.

Actual physical work on the Versova-Andheri-Ghatkopar stretch began in February 2008 and was expected to be completed within three years. The MMRDA had earlier claimed that work will be completed by December 2010. But delays in seeking clearances from authorities only extended the deadline.

There has been increasing pressure on the state government and the Mumbai Metropolitan Region Development Authority to complete work on this stretch at the earliest; ongoing work has worsened traffic situation. A beleaguered state government has been pressurising MMOPL to show some results before the upcoming civic elections, which will be of immense help to the ruling party as far as infrastructure development in the city is concerned.

Chief secretary Ratnakar Gaikwad had given explicit directions to MMOPL and MMRDA last week asking them to complete work on the Versova-Andheri-Ghatkopar Metro line by May 2012. “All civil work should be completed by 2012 and public should be able to use the Metro by August 2012,” Gaikwad said.

Hindustan Times, 22nd September, 2011, Mumbai

Gujarat plans Rs 12K cr Ahmedabad-Gandhinagar Metro by 2015

Work on the first phase of the Rs 12,000-crore Ahmedabad-Gandhinagar Metro rail link project is expected to start by 2011-end, a senior government official said here on Wednesday.

The first phase of the ambitious project, first in India to be mostly elevated up to five metres from ground-level, would involve investments to the tune of Rs 3,400 crore. Out of the nearly 70-km-long route of the entire project, 24 km will be developed in the first phase, highly-placed sources told Business Line.

The State Government has incorporated a special purpose vehicle (SPV), called the Metro-link Express for Gandhinagar and Ahmedabad (MEGA) Company Ltd, for the implementation of the project and appointed former bureaucrat-turned-entrepreneur Sanjay Gupta as its Chairman recently, besides four other bureaucrats as directors.

When completed, the Metro will link Old and New Ahmedabad, its airport and the State Capital. “We are also considering to link Sanand town, an emerging auto hub, as well as some other industrial hubs around Ahmedabad,” the sources said. Ernst and Young has been appointed as bid process and corporate advisors while Grand Thornton International Ltd would be internal auditors. A high-level committee, headed by Chief Secretary AK Joti have been appointed as the top decision-making body, which would consider the proposals submitted by MEGA soon.

At present, the project has evolved from the conceptualisation stage to the engineering phase with detailed plans being drafted for the next stage, execution. “As soon as we get the zero-date, i.e. final approval, and financial closure, we would start work to complete the project within 30 months.” The initial frequency of the Metro trains will be five minutes at peak hour in 2015, and average stations will be at a distance of 800 to 1,000 metres. It will have an automatic fare collection system with five levels of system facilities using smart card technology.

The State Government has described MEGA as a “zero-land acquisition project” as most of the Metro rail link network will be erected on an elevated corridor constructed on public roads, although acquisition may become necessary at certain points. The Gujarat Urban Development Corporation (GUDC) has directed the civic and urban bodies of both Gandhinagar and Ahmedabad not to clear any new projects, with its GUDC’s) no-objection certificate (NOC) in the 150-metre radius along the proposed Metro-route.

The Hindu Business Line, 22nd September, 2011, Ahmedabad

Industry News

NHB sees dip in home loan growth

Housing finance watchdog National Housing Bank (NHB) has said demand for home loans will slow down in the next few months due to high property prices.

"Housing loans can be a bit sluggish because buyers feel there is no way of getting properties at a reasonable price, [and] they are postponing their purchases," NHB Chairman and Managing Director RV Verma said.

Since April, home loan growth has been 16-17%, which is 1 percentage point lower than the previous fiscal. He further said he sees credit offtake lower at over 15% for the full fiscal. However, Verma maintained that it was booming property prices, rather than the repeated rate hikes by the Reserve Bank, that was affecting demand.

"I think the main reason for the current sluggishness is the high property prices. If the property prices come down, there could be an increase in demand even if the interest rates go up a little," he said. The RBI has increased key short-term rates by a record 12 times over the last 18 months, with an eye to tame uncomfortably high inflation, which stood at 9.78% for August.

Home loan buyers, especially those who are on floating interest rates, are one of the worst-affected categories of buyers affected by the higher interest rates, as the cost of servicing loans obtained at lower rates has gone up. Verma said the NHB has asked housing finance companies to monitor loans, especially those at floating rates, closely to look for any signs of stress building up.

Business Standard,18th September, 2011, Mumbai

FDI inflow to real estate lowest in 4 years

Foreign direct investment (FDI) in the real-estate sector last year was the lowest in four years, but private equity activity gained momentum during the recent months, according to a study by an Indian industry chamber and a global accountancy firm.

Between January and June 2011, PE investments in real estate reached $444 million, 47 per cent higher than the investments made in 2010 during the same period. And, most of the investments are coming from realty-focused funds, says a joint report brought out by Ficci and Ernst & Young.Luxury housing, it notes, has taken a backseat and affordable housing is gaining momentum due to the liquidity tightening by the RBI. between March 2009 and November 2010, developers sold more than 40 million sq ft of mid-income residential property in the National Capital Region alone. “On the residential front,” notes Rajiv Kumar, secretary-general of Delhi-based Ficci, “the sector will face significant shortage of homes for the mid-income group. This has become a priority for the government.”

Business Standard, 20th September, 2011, New Delhi

Rental housing under lens

The state government has appointed a committee to probe into the low-cost rental housing scheme started by the Mumbai Metropolitan Region Development Authority(MMRDA) under a scanner. The project had been started with the idea of providing accommodation to the poorer sections of society in the city who needed to stay in the city and were not able to pay high rents. The project was aimed at curbing the mushrooming of slums in the city. 18,000 tenements 160 square metres to 269 square metres in size are under various stages of construction. The total number of tenements slated to be built are 5 lakh units mainly in the distant suburbs. 40 parties have been allotted 2.5 lakh units planned for the suburbs.

The project has been dogged with administrative problems and most of the projects have still not begun work on the ground.

Giving details the MMRDA commissioner, Rahul

Asthana said that he heads the committee which has the Thane Municipal Corporation commissioner and several other senior officials on it. The committee will be going into issues of whether it should be rental accommodation or affordable accommodation. The method to be adopted to collect the large number of rentals when the projects come through will also be taken into account," he said..

Political circles state that the current government is going to go into all the details of the housing and how it will benefit the city and suburbs.

The Times of India, 20th September, 2011, Mumbai

NHB to set up mortgage finance firm by FY12-end

State-run National Housing Bank (NHB) plans to set up a mortgage finance company by the end of this financial year. The housing finance watchdog, wholly owned by the Reserve Bank of India, will compensate banks and housing finance companies in case of default by home loan borrowers.

The apex housing finance institution has identified Asian Development Bank and International Finance Company as the two partners. It is looking for a third strategic partner for technical expertise, which will have a 36 per cent stake in the proposed entity. “We are hoping for an approval from the Foreign Investment Promotion Board well before December 31. The company will be set up by March 31 next year with an initial capital of Rs 120 crore and an authorised capital of Rs 750 crore,” NHB Chairman R V Verma said at the annual result announcement meet here on Monday.

The application for the mortgage finance company will be sent to the Reserve Bank of India by January next year and the company is expected to start operating from April 1.

NHB’s net profit was flat for 2010-11 at Rs 279 crore, against Rs 280 crore a year ago. Verma said NHB was not a profit-oriented business; however, it was a difficult year for prime lending institutions and certainly more difficult for refinancing institutions to struggle with the market dynamics. “However, the volumes are growing and the average loan size stands at Rs 5 lakh. We compress our spread to increase our volume,” said Verma. “We are not profit hungry at the cost of volumes,” he added. The net and gross non-performing assets were ‘nil’,with 100 per cent collection efficiency. According to Verma, the net interest margin was under pressure in 2010, which affected the bottom line. “It is sub-one per cent,” Verma added.

NHB will focus on development of market infrastructure to bring stability in the housing market. NHB Residex, the residential property price index launched this year, will include five more cities from January next year — Ludhiana, Vijayawada, Indore, Guwahati and Bhubaneswar. The apex housing finance institution granted registration to five new housing finance companies in 2010, taking the total number to 52.

NHB had been issuing direction and guidelines to the housing finance companies to ensure development of the housing sector on healthy and sustainable lines. “It is the quality of assets that is engaging our attention as there is growing risk perception in the market”, said Verma.

Business Standard, 20th September, 2011, New Delhi

Farmers seek damages under new land bill

Around 500 farmers gathered in front of the Keshopura metro casting yard on Monday and organized a dharna demanding release of their acquired land if compensation is not paid in accordance with the new Land Acquisition Rehabilitation and Resettlement (LARR) Bill 2011.

"The state government has not provided the compensation of the acquired land. Out of 479-bhiga acquired land, possession of 30 bhiga has been made for the metro casting yard. The farmers will not give the possession at any cost if compensation according to LARR bill is not given."

Rajesh Meena, vice-president of People's Democratic Movement, vice president, Rajesh Meena, said. He claimed that the government is not using the land for the project it was meant for. The farmers also demanded that as the state government has acquired the land of local farmers, employment should be provided to them in the metro project.

A delegation of farmers also met the contracted company and gave them a memorandum regarding their demand. "If our demand is not taken seriously, we will launch a massive protest," Meena said. A senior official at the Jaipur Development Authority (JDA), however, dismissed the demands and said one of "their leaders is asking for contracts in the metro project and this is the reason he is provoking the farmers to protest".

The Times of India, 20th September, 2011, Jaipur

Gurgaon realtors scout for cutting-edge tech

With Gurgaon falling in the seismic zone IV, city developers are planning tie-ups with experts in Japan and USA to provide high-tech earthquakeproof buildings.

According to realty players, the highrises built using the cutting-edge technology can withstand earthquakes much better than the normal quake-resistant buildings. These high-tech apartments are many times costlier than normal buildings, say realtors.

Navin Raheja, chairman and managing director of Raheja Group, said the construction norms for quake-resistant building given in National Building and Construction Code were not that stringent. “By using `base isolators and rollers' techniques, we can enhance the durability of buildings. We are in the process of tying up with global firms who have constructed buildings in Japan and California,“ he said. Raheja said his company is in touch with builders of Burj Khalifa tower in Dubai, the tallest building in the world. The tower is designed in such a manner that it can resist massive earthquakes.

Meanwhile, some developers are going for all-steel structure that not only speeds up construction work, but gives extra endurance to the building. One such building is coming up in Sector 32, Gurgaon.Gurgaon already has a number of earthquake-resistant buildings constructed by private developers. An example of such building is the ship-type DLF Gateway Tower.

Hindustan Times, 20th September, 2011, New Delhi

Mumbai property deeds in August hit two-year low

Buyers continue to shy away from purchasing homes in India’s largest real estate market, Mumbai, as interest rates rise and developers prefer to build expensive apartments to affordable homes. Property sales registration in the metro for August touched a new low in over two years, falling around 24 percent year-on-year to 4,611, according to data sourced from the Director General of Registrations, Mumbai. In August 2010, 6,100 sales were registered, according to data from Mumbai-based brokerage Prabhudas Lilladher. “During monsoons, buying activity in real estate is less, but having said that, the sales are down,” says Bharat Dhuppar, chief marketing officer, Omkar Realtors & Developers. “Increase in interest rates is impacting both the customers and developers. For developers, too, with the funding scenario remaining tight, new launches are getting limited.”

“Overall, market momentum slowed as the interest rate cycle and high input cost started taking their toll on real estate,” says Surabhi Arora, associate director, research, at Colliers International, a global real estate consulting firm. “Though there is no perceptible change in the EMI or equated monthly instalment, my problem is that the bank keeps on increasing the tenure without giving an intimation," said Aditya Ghosh, programme manager at the Centre for Science and Environment, New Delhi. Developers, too, seem to have lost touch with the end user demand, say real estate consultants. "Developers have almost stopped making one bedroom-hall-kitchen (BHK) apartments and prefer two-, three-, or four-bed room kitchen houses," says another consultant. Two years back, developers started off with affordable houses but with the upward rally in the stock market and economy in general, they shifted to luxury apartments. Today, most metro markets are flush with supply of luxury homes, which are unaffordable for most, she added.

The Financial Express, 20th September, 2011, Mumbai

Buildings to be inspected randomly

With three rounds of tremors in the Capital in less than a week, the civic body is all set to follow stricter structural norms for the safety of buildings. Further, the MCD and DDA is planning to conduct random inspections of the buildings and structures across the city to ensure or suggest about their durability and safety. The ASI, too, is mulling to check their protected structures from natural calamity like earthquakes.

Standing Committee chairman Yogender Chandolia on Monday said though it is not feasible to conduct survey of each building in the Capital, though the MCD would initiate inspection of old structures randomly. "The safety of the citizens of Delhi is supreme. Recent incidents of earthquakes in the city have drawn our attention. MCD does not issue mandatory completion certificate or occupancy certificate until the newly constructed structure is declared safe by a structural safety engineer. We will further ensure that no such document is given until the application is not accompanied by a certificate from the engineers," he said.

A senior MCD engineer also said as per the clause 18 of Building Byelaws amended by Ministry of Urban Development in 2001, it is mandatory to obtain a structural safety certificate from a structural engineer. "We have empanelled 53 structure engineers so far and as and when more people apply, we will empanel them after scrutinise their applications," he said.

Delhi Devolvement Authority's Commissioner (public relation) Nemo Dhar said as the Delhi falls in seismic zone, the authority makes sure that all structures built by the DDA are earthquake resistance. "DDA uses existing technology to make every building earthquake-proof constructed by the agency," she said.

Delhi Metro also said every possible care is taken before raising any construction in Delhi as the city lies in Zone IV which is high damage risk zone. "Metro structures in the Capital have been designed in such a manner that they can withstand earthquakes upto 7.5 on Richter scale. All construction is based on earthquake resistance technology. All Metro's civil structures including the stations have strength to tolerate maximum stress in the case of an earthquake. So there is no need to worry," said a senior DMRC official.

An ASI official said that following these tremors, the authority is reviewing about the structural safety of all the ASI protected sites in the city.

The Pioneer, 20th September, 2011, New Delhi

Complaints against realtors rising

The recent decision of the Competition Commission of India (CCI) to slap a R630-crore fine on realty major DLF for abusing its dominant position is only a tip of the iceberg. If the records of the Delhi consumer court are taken into account, the maximum number of cases registered are against real estate companies.

Out of every 10 complaints which get registered at the Consumer Disputes Redressal Commission (consumer court) in Delhi, eight are against real estate players.

Currently, there are around 400 complaints pending before the consumer court with claims amounting to upward of R20 lakh. An official of the consumer court said: “Roughly, more than 60% of the complaints received by the court are against real estate players and the number is rising with each passing day. Till date from January 2011 we have received almost 120 complaints.”

The nature of complaints ranges from unlimited delays in granting possession of houses to charging more than the price quoted at the time of the deal to increasing the number of floors.According to the official, ever since CCI-DLF case hit headlines, the court has witnessed an increase in the inquiries regarding the procedure to file complaints, the success ratio, and the time taken in settling the cases.

Supreme Court lawyer ML Lahoty, who was the lawyer for the residents’ associations in the case against DLF, said, “Consumers not just from Delhi but from Hyderabad, Kolkata, Mumbai, Pune and many other places have come to me seeking advise against the developers.”Delhi State Consumer Disputes Redressal Commission’s former president Justice J D Kapoor, however, maintained that the Consumer Act, under which consumer courts function, lacks teeth. “The Act says that the consumer should get redressal within 90 days, but this is seldom the reality,” he said.

According to Confederation of Real Estate Developers’ Associations of India (Credai) president Lalit Kumar Jain, transparency is a big issue with the developers. “Most of the developers do not clarify the actual carpet area in their advertisements. Also, there are so many charges that they never mention (these) in their advertisements or their brochures. At the end of the day consumers feel cheated,” said Jain.

The Financial Express,, 21st September, 2011, New Delhi

Joining the Dots

Farms are disappearing in India. In the last decade, two million hectares of farm land — equal to Kerala’s entire arable area — has been lost to industrialisation and urbanisation. More will be sold after new land acquisition laws are introduced by states. But why are farmers in such a rush to sell? Is it old-fashioned greed? Or do they know something city slickers don’t? ET helps you join the dots. We all know crop prices will rise as food, feed and fuel demand rises with growing population and incomes. Across the world, higher crop prices have made farm land more precious. During 2010 alone, land values rose by 13% in the UK, 8% in US corn-growing belt and 24% in Brazil’s sugarcane-growing Sao Paulo state, according to the Knight Frank Farmland Index. In India, the equation is not so simple. Despite high crop prices, farmer returns are declining because the cost of cultivation, especially wages, is rising faster. Mechanisation is expensive. Small and marginal farmers unable to invest in new technology are the worst hit. Erratic weather is increasing risks for rain-fed farms that add up to 60% of total farmland.

In states where higher yields have overcome this challenge, government curbs on inter-district and inter-state trade prohibit farmers from maximising gains. Farmers in coastal Andhra, for instance, actually save money if they let their paddy fields lie fallow. This is what they did this season too. Farmers in Uttar Pradesh can’t sell their sugarcane to highest bidder.

So, whenever they meet a property buyer willing to offer even a small premium, such farmers jump at the offer. This is the trend across eastern India, Uttar Pradesh, parts of Maharashtra, Rajasthan and the south. They are exhausted battling the risks of agriculture.

Well-to-do farmers are also willing to sell, albeit at a significant premium. Most are above 60 years, with sons and sons-in-law settled in the city and unlikely to return. In Tamil Nadu and Andhra villages, all farmers are above 45 years. No one wants their son to be a farmer because it implies he is good for nothing else. Leasing land to tenant farmers is increasingly difficult with no willing takers. So, the empty-nesters are keen to sell. Farmers themselves understand these trends very well. Often, when a farmer sells his own land to a speculator or investor, he uses part of the cash to buy land in areas where land is cheap because of poor crop margins. Punjab farmers have bought large tracts in Uttar Pradesh, Jharkhand and Chhattisgarh from local small and marginal farmers desperate to exit. Ditto Andhra farmers in Tamil Nadu and Orissa. The attraction is low land prices arising from low crop returns.

The new farmer-owners then wait for the other category of buyers such as investors in infrastructure and factories to arrive. Or even the pure speculators who are creating a land bank. State governments are keen to buy land for industrial hubs, airports and roads. Even the sons who fled to the city are now willing to buy a few hectares in their village as a good investment. All these buyers and sellers are betting on the scarcity created by tough land acquisition and land usage laws. No one is betting on higher profits from farming.

A decade ago, textile mill land in Mumbai fetched record prices because it could be used more efficiently for other things. Not because textiles was a profitable business. The situation is identical in the countryside today. In countries such as Brazil, Ethiopia and Australia, land is becoming expensive because crops are fetching more. In India, farmland prices are rising because the land has many other uses. Not because its current use — production of crops — is profitable. In a country where 833 million people are dependent on agriculture and a third of these live below the poverty line, this desperation to exit can only be a silent scream for help. Ignoring it will push India towards greater import dependence and higher food inflation.

The Economic Times, 22nd September, 2011, New Delhi

Affordable housing segment faces acute supply shortage: report

Affordable homes, the refuge of both real estate firms and homebuyers during the slowdown, are in short supply in metro cities as developers are turning reluctant to build such projects, says a new report. Against a demand for 636,000 homes of Rs.20-40 lakh in the National Capital Region (NCR), the Mumbai Metropolitan Region (MMR), Bangalore, Hyderabad and Chennai, only 231,000 are available, property research firm PropEquity Analytics Pvt. Ltd says in a report released on Thursday.

In the Rs.10-20 lakh category, demand in the five metros is for 1.7 million homes, while only 86,000 are available, says the report titled Affordable Housing in India for the Middle Income Group. The five cities were identified as top markets in the country based on the number of projects and units being launched since 2008-09 and the size of the markets. NCR comprises Delhi, Gurgaon, Noida, Ghaziabad and Faridabad; MMR comprises Mumbai and Thane.

PropEquity says in its report that the average size of affordable homes in NCR is 350-700 sq. ft and in MMR, 225-440 sq. ft. “Considering the average family size in India being over 4.5 persons per household, these space standards prove to be infeasible,” it said. “There are mainly two reasons for developers to move away from taking such (affordable housing) projects. First, there is a long delay in getting sanctions and approvals from respective government agencies, and second, the land cost these days are high,” said Rajeeb Dash, marketing head, Tata Housing Development Co. Ltd.

“Often the delay is more than a year. This increases the overall cost of the project. Thus, developers rather than holding the project prefer to either transform it into a premium project or sell it in the open market with necessary approvals to someone else at a higher cost,” he added. Tata Housing’s affordable housing subsidiary, Smart Value Homes Pvt. Ltd, is developing two projects each in Mumbai and Pune and one in Chennai. It plans to launch two more projects shortly, Dash said.

Another issue with affordable housing projects is these increase pressure on urban infrastructure, such as public transport and utilities, as the population density in such developments is higher than in normal ones.

“In most cities, governments do not provide sufficient infrastructure to bring a higher FSI (floor space index) level that makes affordable housing viable for builders,” said Samir Jasuja, founder and chief executive of PropEquity. “But land being scarce in most metros and available at high cost, developers are unable to build affordable projects.”

At the regional level, issues such as the land acquisition row in Greater Noida and the agitation for a separate Telangana state in Andhra Pradesh are resulting in developers either moving to premium projects in other neighbourhoods or planning to increase prices of affordable homes.

“Eventually, the outcome of all such issues is that affordability takes a hit,” said Getamber Anand, managing director, ATS Group, and vice-president of the Confederation of Real Estate Developers’ Association, a national body of developers. “Most developers who are stuck with their projects in the Greater Noida land acquisition row will increase their rates by around Rs.500 per sq. ft for new homebuyers,” he said.

Live Mint, 23 September, 2011, New Delhi

Private Equity News

IIML to raise $750-900 mn across three new funds

After growing nearly 10 times in the past six years—from handling $300 million (Rs.1,395 crore today) of assets in 2005 to $3.2 billion in 2011—IL&FS Investment Managers Ltd (IIML), the largest private equity (PE) firm in India, plans to focus on consolidating its position this fiscal even as it is raising three funds.

IIML, the PE arm of Infrastructure Leasing and Financial Services Ltd (IL&FS),is currently raising three funds —TARA IV, a growth equity fund; a rental yield fund; and its latest addition, a PIPE fund. Each of these funds will be $250-300 million in size. "Through our Saffron merger, we are also trying to see if we can reduce the fund-raising cycle and access a new class of investors that is available through the listed markets," added Hingorani.

In the first merger in the PE sector in India, real estate PE fund Saffron Assets Advisors Pvt. Ltd merged with IIML earlier this year. According to Avinash Gupta, head (financial advisory) at audit and consulting firm Deloitte Touche Tohmatsu India Pvt. Ltd, dabbling in PIPE funds is a strategy that only established funds with a track record can follow. "Their limited partners (LPs) will be ready to be a lot more flexible as they are assured that the fund can give them return," he said.

While most funds have a small allocation of 15-20% of their corpus to invest in public companies, not many have a dedicated PIPE fund. In February, the four founding partners of Sequoia Capital India Advisors Pvt. Ltd quit the firm to revive their earlier fund WestBridge Capital, which invests in publicly traded companies. Another example is Nalanda Capital, founded by former Warburg Pincus India managing director Pulak Prasad.

Hetal Gandhi, managing director, Tano India Advisors Pvt. Ltd, a PE fund, points out that funds look for such diversity in strategy because traditional PE investments, which typically are in private companies, may not have given expected returns to investors. Also making LPs aware that listed stocks have value is not an easy task. "You can't go and buy a blue chip company stock. Such funds are more for companies that are small, in the growth phase, and exhibit PE type of growth."

However, not just the fund-raising environment but the investment environment is also difficult today. According to Hingorani, investments are expected to be slower this year. "Given the muted state of the world economy and the slowing of the Indian economy, like two years ago, the focus is on honing the portfolio companies." In the last nine months, IIML has made five investments covering the hospitality, information technology, logistics and consumer spaces, and has done four exits including Continental Warehousing Corp. (Nhava Sheva) Ltd.

IIML expects it to take longer than usual to raise its funds. "While earlier it was possible to close a fund within 9-12 months, today we expect it to take 12-18 months," said Hingorani. The fund-raising cycle has increased in line with the enhanced risk aversion across the globe. Many emerging markets, including India, have performed better than their Western counterparts, but offered a less than 25% return.

Mint,19th September, 2011, Mumbai

Indiareit to invest Rs 200 cr in realty

Indiareit, the private equity arm of the Piramal Group focused on real estate investments, is in talks with Lokhandwala Developers in south Mumbai to invest R200 crore in a real estate project. While two of the realtor's projects are high-end residential ones, the third is a mixed use one. "We are in talks with a private equity player for three of our projects but it would be too premature to discuss that at this point in time," said Mohammed A Lokhandwala, chairman, Lokhandwala Infrastructure.A fortnight back Indiareit concluded a R200 crore SPV investment in luxury residential project in Worli, with Omkar Developers.

Hindustan Times, 20th September, 2011, New Delhi

Private Equity News

GMR Infra looks at PE funding for roads arm

GMR Infrastructure, the Bangalore-based infrastructure developer, is setting the stage to raise private equity in its road business.According to investment bankers, the company may be looking to raise around Rs 960 crore over a period to infuse equity in various new projects in this vertical.

fed by the flagship airport and power verticals of GMR Infrastructure, is expected to win the bid for India's largest highway project extending 555 km in connecting Ahmedabad in Gujarat to Kishangarh in Rajasthan. The project is worth Rs 7,000 crore. Speaking to Business Standard, GMR Infrastructure Group CFO A Subba Rao said they were awaiting a decision by the National Highways Authority of India.

"To raise private equity for the roads vertical, we will tap this route as we have done in the power and airports vertical. However, we have enough equity on hand to fund the ongoing projects. The objective is to empower each vertical to address funding issues on their own and not always rely on GMR Infrastructure. It is also to prepare the stage of taking each of the verticals public eventually," he said. Rao, however, declined to comment on the quantum the road vertical will raise.

If GMR Infrastructure wins the Rs 7,000 crore NHAI project, it will have to infuse Rs 1,750 crore, as it traditionally works on the 75:25 debt-equity ratio to develop its projects. Last year, it raised Rs 1,360 crore for its energy business and another Rs 1,490 crore for the airport business through the PE route.

According to bankers, while the roads vertical contributes just under 10 per cent to the overall Rs 5,800 crore revenue, the share is expected to move up in two years as its under-development assets and new projects are expected to contribute immensely.

Under the roads vertical, GMR Infrastructure has nine projects covering 730 km, of which, six covering 421 km are operational and spread equally between toll and annuity based projects. Of the other three, which are at the development stage, two are under toll, while the third one is an annuity contract.

Business Standard, 22nd September, 2011, Bengaluru

Equinox Realty to tie up with private equity funds

Equinox Realty and Infrastructure Pvt. Ltd, promoted by the Essar group, plans to partner with private equity (PE) funds for its projects that involve a mix of residential, office, and retail space development.

Equinox has invested around Rs. 1,200 crore so far in office space projects in Mumbai and Bangalore, and will invest another Rs. 2,800 crore in its ongoing projects and to buy land. The company will raise the money through debt and internal accruals.

Bringing a PE fund onboard for specific projects through special purpose vehicles (SPVs), companies set up specifically for individual projects, is not so much for the capital but for their experience and expertise, said Cherag Ramakrishnan, chief executive officer, Equinox Realty.

"The idea is to get a fund as a strategic partner, (that) has a big global portfolio and will bring (to) the table its experience in asset management...which will be important for the mixed-development projects that we are planning."

Global PE funds such as the Blackstone Group, Government of Singapore Investment Corporation Pte Ltd (GIC) and JP Morgan Funds (Asia) Ltd have invested significantly in real estate, though property analysts say that they are mostly passive, their involvement largely restricted to managing the deployment of funds, while planning and execution aspects are left to the specific developer involved.

Most of these funds such as Blackstone have followed a similar model while investing in Indian real estate projects as well, said Amit Goenka, national director, capital transactions, Knight Frank India.

The foundation of Equinox's commercial residential development plans comprise the 4,500 homes it is building for Essar group companies, mostly in Gujarat, Madhya Pradesh and Jharkhand. "We don't want to be a pan-India player and the strategy is to do largely residential projects in four to five large, tier I property markets and look at markets such as Chennai, Gurgaon and even Ahmedabad subject to bandwidth," Ramakrishnan said. "We don't want to experiment with smaller markets."

The company is currently developing 14 million sq. ft of real estate. As with Piramal Realty (promoted by Ajay Piramal) and Godrej Properties Ltd, Equinox is a realty firm with the backing of a large corporate group, and this, analysts said, could cut both ways. "The big advantage is that, being part of a large corporate group, funding issues are largely taken care of," said Ambar Maheshwari, managing director, corporate finance, Jones Lang LaSalle India, a property advisory. He added that because these companies were not traditional "developers", they may not be able to "maximize returns" the way a developer usually would.

Deals India, published jointly by Mint, Dow Jones Newswires and The Wall Street Journal, is a one-stop destination for investment professionals following deal flow, deals news, private equity and venture capital activity in India.

Mint, 22nd September, 2011, Bengaluru

Walton Street Capital and Starwood Capital Group exit Shriram's Uttarpara project

Walton Street Capital and Starwood Capital Group have exited the Uttarpara (West Bengal) project of Chennai-based Shriram Properties and invested in the group's holding company, Shriram Properties.

People with knowledge of the developments said the two real estate PE investors have exited Bengal Shriram Hi-Tech City Pvt Ltd, a special purpose vehicle floated by the Shriram Group to execute an integrated township project on the 314-acre Uttarpara land acquired from carmaker Hindustan Motors.

The company planned to build a Rs 5,000-crore integrated IT township and auto park at the site, but the project is still awaiting clearances. Each of the three partners held about 33% stake in the special purpose vehicle. The US real estate investment firms had collectively infused Rs 210 crore, the sources said.

Conceived in 2007, the Uttarpara project was to have 20-25 million sq ft of residential, retail, office and civic infrastructure. Walton Street Capital and Starwood Capital were not available for comment. Shriram Properties Managing Director M Murali refused to speak on the issue. Meanwhile, Shriram has sold a small part of its Uttarpara land holding to Delhi-based developer Ashiana Housing.

The Economic Times, 23 September, 2011, Bangalore

Regulatory Buzz

Builder fined for not transferring land

Taking a stern note of builders who fail to transfer land to co-operative housing societies, the National Consumer Disputes Redressal Commission, on Friday, levied a Rs2-lakh fine on a city-based developer who did not execute the conveyance deed in favour of a housing society it built more than a decade ago.

"Equity demands that unscrupulous litigants who aim to deprive the opposite party of the fruits of the decree must be dealt with, with a heavy hand," the national commission observed, while referring to Atlanta Ltd, which constructed the five-storey Atlanta Arcade Premises co-operative housing society in Andheri (West) in 2000 but did not execute the conveyance deed.

In June 2007, acting on a complaint lodged by the housing society, a city consumer forum had directed the developer to execute the conveyance deed within three months and pay a compensation of Rs1 lakh to the housing society. The society had also complained that the developer had failed to pay municipal taxes between 2000 and 2006 due to which water supply to the building was disconnected. The society alleged it had to spend Rs1,500 every day for a water tanker.

The developer first appealed before the State Consumer Commission, which upheld the decision of the city forum. The developer then appealed to the national commission. On Friday, the national commission dismissed the appeal filed by Atlanta Ltd., saying there was no jurisdictional or legal error in the orders of the city forum and the state commission.Out of the Rs2 lakh fine imposed, the developer will have to pay Rs1 lakh each to the co-operative housing society and to the national commission's Consumer Legal Aid Authority. The developer will also be required to pay the costs not covered by the Rs1 lakh compensation awarded by the city forum.

Hindustan Times,18th September, 2011, Mumbai

New property tax to hit rentals in city

If you intend to earn high rentals by leasing out your new residential or commercial property, think again. The BMC has proposed a new capital value-based property tax system that, in all likelihood, will hit the leave-and-licence business and self-occupied and vacant ownership properties in both the island city and the suburbs.

The proposal has done away with any differentiation in the property tax levied on owner-occupied or tenant-occupied premises with respect to new buildings, or those occupied after April 1, 2010, in both residential and commercial segments. While the new tax plan may curb hoarding of properties for high rentals, the proposal to levy a certain percentage of tax even on amenities such as a dry balcony, a swimming pool and a gymnasium would add to the buyer's cost too.

According to the BMC proposal, property tax would be computed at 1.95% of the capital value for offices, 3.91% for banks, and 0.41% for residences where there is a metered water connection. The rate of tax would be as high as 8.44% of the capital value in old buildings that do not have an occupation certificate or a water connection. The new tax would be calculated on the basis of the current market value of the property (the capital value) based on four factors- price, area, age, and the type of property. Currently, Mumbaikars are charged according to the rental value of their property; in other words, property tax is calculated on the basis of the hypothetical rent it would fetch.

The proposed tax is very high compared to the 0.19% tax for all properties recommended in a report submitted by the Tata Institute of Social Sciences, the BMC-appointed consultant. Property experts estimate that taxes for new residential buildings would translate into as much as Rs 20.24 per sq ft per month, which means Rs 20,240 for a 1,000-sq-ft flat. The lowest would be in the Borivli area where one would have to shell out Rs 2,690 at Rs 2.69 sq ft per month for a 1,000-sq-ft flat. Similarly, for new offices, the highest municipal tax would be Rs 120 per sq ft or Rs 1,20,000 for 1,000 sq ft; and the highest municipal tax for banks would be at Rs 290 per sq ft or Rs 2,90,000 for 1,000 sq ft. The proposed tax is several times higher than that in Delhi, Hyderabad, Bangalore and Kolkata.

The BMC's chief assessor and collector S Hatkar admitted that since tax would be computed on the basis of rates recorded in the ready reckoner, Mumbaikars would have to pay a higher property tax. "Suburbs may benefit as the government is likely to increase the FSI, so the hike would not be so much. The new rule seeks to breach the huge gap in taxes paid by the suburbs and the city and bring them on par," said Hatkar. "We have, in fact, ensured residential property is protected from the hike by putting a cap. So, redevelopment of cessed buildings will not be affected."

The assessor denied that the new rules would affect the leave-and-licence business. "Our experience has not been good in such matters. The civic Act does not specify the reasonable rate at which property tax should be calculated in rented premises. As a result, licences would challenge the reasonable rate at which the civic body has computed the tax in courts. We, thus, decided to remove the differentiation between a rented or owner occupied property and levy tax equally," Hatkar said. Referring to facilities such as watchmen's cabin and the dry area, which are included in the built-up area, the assessor said the recommendation was based on the advice of the expert committee appointed to finalize the rates.

Indian Express, 21st September, 2011, Pune

New Land Law: Riddled with loopholes

The government has introduced the Land Acquisition, Rehabilitation & Resettlement Bill, 2011, in Parliament. The Bill fails to address fundamental causes behind disputes and litigation over compensation. Moreover, like the existing law, it has provisions that can be misused by states to favour companies at the expense of the rights of farmers and forest dwellers.

An excessive use of the emergency clause is not the only abuse of the current law by states. Often, land is acquired, ostensibly for government use, but is eventually transferred to companies. The proposed law allows states to continue with these practices. For example, Section 87 allows for midway denotification. Section 96 gives states unbridled power to transfer acquired land to private companies and individuals, if 20% of the resulting profit is shared with the owners. Such transfers are consistent with Section 93 that governs postacquisition changes in land use, as long as the land is used for the same or a 'related' purpose. For instance, land acquired for industrial development can be transferred to a special economic zone (SEZ).

As for direct acquisition for companies or large-scale purchases by them, the Bill mandates rehabilitation and resettlement for affected families. At the same time, it dilutes the crucial public-versus-private distinction. The all-inclusive definitions of 'infrastructure' and 'public-purpose' permit state intervention in acquisition and transfer of land to companies for all sorts of commercial activities.

The Bill is seriously deficient on the issue of compensation and litigation. The compensation is determined on the basis of circle rates or the average price of saledeeds of similar land, whichever is higher. The present law is identical in this regard. But land acquisition collectors (LACs) invariably award compensation on the basis of circlerates, which are perpetually well below the market rate as well as sale-deed rates. There is no reason to believe that in future, LACs will behave differently. Indeed, an extensive litigation under the current law is due to the fact that the LACs and courts use different basis for determining compensation.

While the LACs use circle rates, courts tend to use relatively high-value sale deeds. Consequently, the court awards are substantially higher, inducing the affected parties to litigate. However, the burden to prove the market value is on the owner, notwithstanding the fact that all the relevant information, like records of sale deeds, land type and so on, is solely possessed by the government. The owners have to extract the relevant information from uncooperative babus. Clearly, such a system favours only the resourceful; the poor can't afford to litigate.

There is nothing substantial in the Bill to change this socially-wasteful and regressive scenario. All it does is replace the ADJ court with a Land Acquisition, Rehabilitation and Resettlement Authority, to adjudicate compensation disputes. This can't reduce litigation. If anything, due to the higher multipliers provided by the Bill, effectively four for rural and two for urban areas, litigation is likely to grow.

The basis, circle rate versus sale deeds, one sale deed versus another becomes increasingly more crucial for compensation and worth litigating, as the land size and the difference among sale deeds and circle rates increases. In fact, those privy to official decisions can profit by buying up land before its acquisition by the government.

The frequency and intensity of the problems can be reduced by minimising compulsory acquisition. This will encourage companies to work out acceptable lease arrangements with sellers. So far, they have had no incentives to do so. The state has been eager to get them land at a throwaway price. When acquisition is inevitable, the compensation should be awarded by an independent authority based on all of the information available.

The Economic Times, 23 September, 2011

Maytas Properties in deep red, says audit report

The erstwhile Raju-family promoted realty firm Maytas Properties Ltd, which was handed over to IL&FS group in January this year, has piled up accumulated losses of Rs 559.4 crore as of year ended March 31, 2010, and thanks to the Satyam effect and its liabilities have mounted to Rs 1726 crore. This is revealed by the financial details for fiscal 2009-10 submitted by the privately-held company to the Andhra Pradesh High Court following a winding up petition filed by some Maytas Hill County buyers.

The results show that MPL's losses deepened from Rs 518 crore in 2008-09, the year the Satyam scam came to light after Ramalinga Raju's confessions in January 2009. The Satyam scam slammed the brakes on the operations of the realty firm and completely eroded the networth of the once profit-making company that was promoted by Raju's younger son Rama Raju.

The auditor's report clearly states that certain conditions indicate the existence of a material uncertainty that may cast a significant doubt about the company's ability to continue as a going concern. "The company has insignificant sales, a number of customers have cancelled bookings, there has been no significant progress of the project and also construction contract by the sole contractor has been terminated. Further there have been restrictions imposed by the income tax department on registration of units in favour of customers," the auditors said.

A sword of uncertainty still hangs over the ambitious Maytas Hill County project, for which the company took advances from customers to the tune of around Rs 296 crore (as per the auditor's report). While buyers were hoping that the project may finally see light of day after the IL&FS group took over, two private equity investors - SRS Orion and Nimesh Kampani-led JM Financial, dragged MPL to court earlier this year to protest against the Company Law Board's decision to hand over the company to IL&FS for just a Rs 20 lakh equity infusion without considering their Rs 600 crore investment by way of debentures.

In fact, a chunk of MPL's Rs 1,726 crore liablities comprise of the Rs 822 crore, including interest, that it owes to the two investors. More so, by the company's own admission, it would have to incur a Rs 142 crore loss to complete the project. Results of fiscal 2008-09, that were submitted earlier in the AP HC, had already revealed that the erstwhile MPL promoters gave loans and advances worth nearly Rs 794 crore to its subsidiaries, many of which were front companies, without taking any securities or collateral from them. The company also said that it was not hopeful of recovering almost one third of this money, amounting to Rs 247 crore, from its subsidiary companies. MPL also gave Rs 262 crore to various front companies by way of inter-corporate deposits without any collateral, most of which allegedly wound up in Satyam's coffers via various Raju-promoted front companies for which it is seeking a refund from Mahindras. Under the Rajus, the company not only defaulted on repayment of loans to State Bank of Mauritius, State Bank of India, Axis Bank and IDBI Bank, it has also not paid Rs 3.48 crore VAT for 2005-07 to AP government and got a Rs 1.03 crore service tax demand excluding interest and penalty.

The Times of India,19th September, 2011, Hyderabad

L&T wins new orders worth Rs 1,015 cr

Engineering and construction major Larsen & Toubro (L&T) has bagged new orders worth over Rs 1,015 crore for developing IT campuses and construction of a residential tower, among other things, during the second quarter this fiscal.

The construction arm of the $11.7-billion group secured orders worth Rs 692 crore for developing IT campuses and construction of a commercial establishment, the company said in a statement issued here today. It, however, did not name the clients.

In the residential buildings and factories segments, L&T won new orders valued at Rs 323 crore for constructing a residential tower and additional orders from on-going projects in the factories segment, it said.

"These orders further augment the order book of the company, which has already secured major design and build contracts in the sectors of airports, IT parks, commercial and residential buildings," the statement said.

Business Standard, 20th September, 2011, Mumbai

DLF, 3C to sell IT Park to IDFC for Rs 512 crore

Infrastructure Development Finance Corporation (IDFC) will acquire an IT park jointly owned by DLF and The 3C Company in Noida for Rs 512 crore.

The 1.36 million sq ft IT park, partly occupied by Computer Sciences Corp, is one of the non-core assets DLF was planning to monetise to reduce its growing debt.

According to a document reviewed and verified by ET, the two-phase transaction has been approved by the IDFC board. It is slated to conclude early next week. This would be the second transaction for DLF in September. Earlier this month, the company had sold a 27.4-acre plot in Gurgaon to M3M for Rs 440 crore.

DLF is selling assets to mobilise fresh resources to repay debt of over Rs 21,000 crore. The company has set a target to raise Rs 7,000 crore through this route this fiscal year.

In the first phase of the investment, IDFC will acquire 40.5% shareholding of Galaxy Mercantile Ltd, a joint venture between DLF (71%) and 3C (29%) that owns the IT park, for Rs 217 crore, one person in the know said. "The estimated price for acquiring 100% shareholding in the JV is Rs 3,760 per sq ft," he added.

The balance 59.5% shares of the SPV will be acquired over 24 months for Rs 295 crore. Of the 1.36 million sq ft, the IT park has rented out 5.83 lakh sq ft and generates a net operating income of Rs 24.34 crore. Once fully occupied, the project is expected to generate revenues of Rs 59 crore.

Spokespersons of both IDFC and DLF declined comment. Another person familiar with the development said proceeds from the transaction would be used to repay DLF's debt and redemption of preference shares. "Currently, DLF has given a loan of Rs 192 crore and, in addition, promoters have invested Rs 178 crore by way of redeemable preference shares," he added.

Real estate consultant CBRE has valued the leased area in the park at Rs 4,037 per sq ft and the vacant area at Rs 3,618 per sq ft, another person said. "However, IDFC is investing at a valuation of Rs 3,918 per sq ft for the leased area and will pay Rs 2,600 per sq ft for the vacant area," he added. DLF has also decided to sell the 17.5-acre NTC Mill land in Mumbai, which could fetch over Rs 3,000 crore.

The Economic Times, 21st September, 2011, New Delhi

HDIL to sell 5 million square feet land near Mumbai

Realty developer Housing Development and Infrastructure expects to raise Rs 650 crore through the sale in the next few weeks to repay its debt. Out of the 5 million sq ft, local developer Vinay Unique Construction has bought 1 million sq ft from HDIL at Rs 1,250 per sq ft. HDIL and Vinay Unique declined comment. In a bid to mobilise funds and repay debt, the company plans to sell 15-20 million sq ft of floor space index from its land bank in Vasai-Virar on the outskirts of Mumbai over the next 15-18 months.

The Economic Times, 21st September, 2011, Mumbai

With 91 acres gone, Indiabulls to scout for fresh land

Despite Punjab Chief Minister Parkash Singh Badal's decision to return 91 acres of land to the farmers of Mansa district's Gobindpura village, who have refused to accept compensation, the controversy is far from over. The developer, Peona Power — a subsidiary of Indiabulls — may have to scout for land in the adjoining villages and seek approval of the farmers.

According to sources in the company, though the project will remain viable even after the 91 acres are gone, more land will be required to meet the stipulations of the Union Ministry of Environment and Forests (MoEF). According to the stipulations, there has to be a green belt all around the power station boundary by planting trees and the total green area, including the landscaping area, will be one-third of the plant area. This will include the laydown area, which will be later converted into a green area.

The Economic Times, 21st September, 2011, Chandigarh

Sunil Mittal's next goal: To be a top-3 realtor

Sunil Bharti Mittal, the poster boy of Indian telecom, is gearing up for a big splash in real estate. The goal is to be one of the top three realty companies in India, and Mittal has set up Bharti Realty Ltd as the beachhead to achieve it. Officials at Bharti Enterprises, the group mothership, were not available to share details.

Bharti Realty has started work on four projects including three mixed-use developments and a shopping mall in northern and eastern India. While residential developments are not a part of current activity, the management plans to enter the segment too.

Sources familiar with the development said Bharti Realty earlier focused on creating and leasing real estate for the Bharti group's business operations in Delhi and the National Capital Region. Among some of its existing developments include Bharti Crescent in New Delhi, which serves as Bharti Enterprises' corporate office and Airtel Centre in Gurgaon.

The company's 5 lakh sq ft mall project — called Pavilion — in the heart of Ludhiana is already underway. The company has also acquired three assets to develop high-end commercial and retail space at the Delhi International Airport Ltd's hospitality district / Aerocity near the new T3 terminal of the Indira Gandhi International Airport in the capital. To be christened Worldmark, this integrated development is spread across approximately 1.5 million square foot and will be operational within two years from now. The company has also acquired 6.7 acre on the Golf Course Extension Road in Gurgaon, where it will develop a shopping and office hub offering affordable and futuristic office spaces within an open and vibrant retail arena.

Christened Eldorado, this development will follow a mix of lease (for retail anchor tenants) and sale (for office and commercial space) model. In Kolkata, the company is coming up with a 5 lakh square foot of mixed-use development in Rajarhat to be launched as Astra Towers. Sources said Bharti Realty is currently identifying and negotiating for land parcels for similar developments across key Tier I and Tier II cities.
In Mumbai, the company is negotiating for a land parcel of around 20-25 acre, which is expected to be concluded in a couple of months.

DNA, 23 September, 2011

Land

No news for this section in the week

Residential

Rs 15 cr paid for 2,900 sq ft flat at Altamount Road

In a major transaction in recent times, when realty sales are showing a down trend, a 2,900 sq ft apartment of the British Deputy High Commission at Altamount Road was reportedly sold for Rs 15 crore. This means the buyer who is said to be the managing director of a leading electric equipment firm has paid Rs 51,724 per square foot for the property.

The price is because of the consulate tag attached to it, said a property expert who confirmed the deal. “Properties that house foreign embassy dignitaries are in great demand and fetch a good price,“ the expert said. Altamount Road is among the most expensive areas in the country and houses several industrialists and official residencies of top bureaucrats in the city. A famous landmark in the area is Antilia - the residence of Reliance Industries chief Mukesh Ambani.

Hindustan Times, 20th September, 2011, Mumbai

Prestige Group launches project in Bangalore

Real estate firm Prestige Group launched yet another premium luxury project, Prestige Edwardian in Bangalore. Located on Edward Road, close to the heart of the city and spread across 40,000 square feet, the development is designed using the Edwardian style of architecture.

The project is reflective of a distinct architectural style prevalent in the United Kingdom between 1901 and 1914, during the reign of King Edward VII.

According to Mr. Irfan Razack, CMD, Prestige Group, “Prestige Edwardian with its unique and refreshing architectural concept is poised to take its owners to a bygone era reminiscent of the early 1900s in UK. With Bangalore fast losing its green cover, Prestige Edwardian will be a differentiate and create a landmark with its unique architecture and old world charm.”

The Prestige Edwardian comprises 2 towers with ground plus 14 floors. This niche project has a total of only 26 apartments on offer out of which 2 are penthouses. Distinctive in its architecture and designing, the main characteristics of the Edwardian style can be seen in the use of brick cladding and extensive brick detailing.

Financial Chronicle, 22nd September, 2011, Bengaluru

Presitge unveils Sunnyside in City

Prestige Group has launched their latest residential development, Prestige Sunnyside, off Sarjapur - Marthahalli Ring Road, behind Cisco campus. Situated just off city’s IT corridor and spread over 7.50 acre, it presents exclusive two, three and four bedroom apartments in 2 blocks, Oak and Elm ranging from 1311 sq ft to 2439 sq ft. It offers choice of two, three and four bedroom apartments across three towers.

Prestige Group Executive Director of Corporate Communications Uzma Irfan said with increase in 'floating population', Bangalore today is Asia’s fastest growing city. In the current scenario, there is enormous demand for quality residences which is being addressed with Prestige Sunnyside.

Deccan Herald, 22nd September, 2011, Bengaluru

Casa Grande’s luxury villa project Versailles at Uthandi

CASA GRANDE, a fast growing real estate development company in Ch-ennai, is launching Versailles, exclusive presidential villas, at Uthandi in ECR, which runs parallel to the IT corridor. The project is ideally suited for people looking for benefits and convenience of quality independent homes.

Residential

Spread in over 1.71 acre, Versailles will offer 17 ultra premium villas within a fully gated estate, set amidst manicured lawns. Each villa comes with 3,900 sq ft of land and a built-up area that ranges between 4,200 sq ft (ground along with two floors) and 4,800 sq ft, depending on individual preference.

The built-up includes a smart living room, four deluxe bedrooms attached with spacious bathrooms and a bright sunlit kitchen, among others. Ultra premium fixtures and accessories in every room, including walk-in wardrobes complete the offer.

This project also boasts of luxury amenities such as a private garden, inviting pool, a gym and a well-equipped clubhouse. With a per sq ft price of close to Rs 7,000, each villa will be priced starting Rs 3.1 crore and above, depending on amenities and features.

According to Kumar, the project offers a large swimming pool, considering that there are only 17 villas, besides a well equipped club house among other features. The bedrooms are large and each villa comes with two servant rooms. Work on the project will commence shortly and will be completed in about 15 months. “With the kind of features and sizes on offer and at a price of around Rs 3 crore, we will target to attract not only businessmen but also senior corporate executives and professionals such as doctors,” Arun Kumar says

Financial Chronicle, 22nd September, 2011, Chennai

Ground Realty

MUMBAI

A 3-BHK apartment with an approximate carpet area of 1,130 sqft was recently transacted at. 3.34 crore at HIranandani Gardens, Powai. This works out to a per sqft price of . 29,513, which includes the cost of two basement car-parkings. The apartment is housed in a 36-storey skyscraper, which has over 40% of its land area set aside for gardens, forests and playgrounds. This building is counted among the more premium residential areas in this micro-market.

NATIONAL CAPITAL REGION

In a recent transaction in Gurgaon, a luxury apartment was transacted at a price of . 1,88,00,000. The 1,975 sqft apartment is part of a group housing project and is still under construction. This 3-BHK unit comes with a servant quarter and is located in one of the high-rise towers. Located in DLF City, Phase V, this group housing project is built on 30 acres of land area. It has an open layout with buildings being placed in a manner that there is no overlooking and most of the apartments enjoy the views of structured landscaping. The apartment comes with amenities like 100% power backup, 24/7 security and door phone facility, a well-equipped club, tennis court and a swimming pool. The developer is also providing laminated wooden flooring in all the bedrooms and vitrified tiles in living and dining area.

PUNE

In a recent transaction, a 2-BHK apartment with terrace and car park, admeasuring 1240 sqft, with 230 sqft terrace, was transacted at a total price of . 80 lakh, all inclusive. This resale transaction took place in Viman Nagar. Amenities, such as swimming pool, gymnasium, basketball court, jogging track, etc, are a part of the project.

The Economic Times, 23 September, 2011, Delhi

DLF barred from selling Gurgaon tower

Admitting an appeal filed by pharmaceutical organisation GlaxoSmithKline, the Punjab and Haryana High Court has restrained real estate giant DLF from selling or creating third party rights in "City Centre" situated in Sector 43, Gurgaon.

The directions by Justice RC Gupta came after GlaxoSmithKline, filed an appeal in the matter . The pharmaceutical organisation has thrown a challenge to the orders of the District Judge, Gurgaon, declining stay on alienating or creating third party rights in the property. It is estimated that the cost of the tower is within the range of Rs 118 crore. Currently, both the parties, DLF and GlaxoSmithKline, are in arbitration.

Senior advocate ML Sarin argued before the court that GlaxoSmithKline entered into an agreement to purchase an 11-storey tower, initially known as the "City Centre". As a part of the agreement, Rs 18 crore as 10 per cent of the cost was paid to DLF. During the period, the property prices registered a rise; and DLF unilaterally decided not to proceed with the "City Centre" project.

The Tribune,18th September, 2011, Chandigarh

India 21st on pricey retail rental list

Delhi's Khan Market is the most expensive retail location in India, with the highest rental value for the year at around Rs 1,199 a sq ft a month. The location saw a growth of over 9% in rental values over the previous year and put the country as the 21st most expensive retail destination in the world, said a Cushman & Wakefield report released on Tuesday.

In Mumbai, Linking Road in the western suburbs, Kemps Corner, Colaba Causeway and Fort/Fountain are in the top 10 list of high street locations with rental values ranging between Rs 685 to Rs 400 a sq ft per month.

New York's 5th Avenue retained its top spot as the most expensive location, followed by Causeway in Hong Kong, Ginza in Tokyo, Pitt Street Mall in Sydney and Champs Elysees, Paris.

Mumbai's Lower Parel emerged as the second most expensive shopping centre location (after Kolkata's Elgin Market) at Rs 480 a sq ft per month. But the location did not see any changes in rental values over the last year. ''Lower Parel is the only shopping centre location in south Mumbai that commands a premium and also enjoys buoyant demand for space. Elgin Market in Kolkata saw an over 18% growth in rental values in the past one year and commands a price of Rs 533 a sq ft per month. ''The location, being the centre of Kolkata, enjoys the advantage of having extremely limited mall space while attracting high demand from international and national brands,'' said the report.

Globally, New York's Fifth Avenue, where rents jumped by 21.6%, retained its spot as the most expensive shopping street in the world for the tenth year. Causeway Bay in Hong Kong remained in second place and Tokyo's Ginza in third. ''The biggest climber in the top 10 was Pitt Street Mall in Sydney, Australia, which jumped from ninth place to fourth following major redevelopments. Rents in the pedestrian street leapt by 33.3% year-on-year. Despite a rental increase of 4.3%, London's New Bond Street dropped two rankings, from fourth to sixth. The UK street falls behind Avenue des Champs-Elysees in Paris, which is now the most expensive retail location in Europe having registered a rental uplift of 5.3%, compared to a decrease of 9.5% last year,'' it said.

In South America, where rents rose overall by 10.6%, Garcia Davilla street in Rio de Janeiro was the highest climber with a rental uplift of 52.2%. The fastest growing (in rental growth) was Wangfujing in Beijing which recorded an increase of 109.5% over last year.

The Times of India, 21st September, 2011, Mumbai

Alpha G:Corp defers launch of Ahmedabad mall

Gurgaon-based developer Alpha G:Corp has deferred the launch of its biggest mall in Gujarat. The launch of the 1.2 million square feet mall, according to the company, has been postponed by about three weeks upon the request of a few retailers and anchors who are presently in the process of completing the fit-outs of their outlets.

The company had planned a grand launch of the Alpha One mall on September 28, that included a visual entertainment show and a gala dinner. "Upon the urgent requests of a few anchors and retailers, we have rescheduled the Grand Launch closer to Diwali, 2011. Since this is due to unavoidable delays in the fit-outs and finishing of their respective outlets, we have readily agreed to the same so that all our brand partners can put their best wares and services forward," said Prodipta Sen, executive director (retail) of the company.

The developer from Gurgaon has already leased out 80% of the 1.2 million square feet of space of the mall at Vastrapur Lake in the city. The mall will also have a host of national and international clients such as Wills Lifestyle, Blackberry, Puma, Adidas, Nike, Provogue, Beverly Hills, Polo Club, SIA, Jack Jones, Guess, Spykar, Tommy Hilfiger, Wrangler, Van Heusen, Levis and others.

The Economic Times, 21st September, 2011, Ahmedabad

ICICI Bank to pull down its Bandra Kurla Complex headquarters

Sprawling over 12,550 sq mt, the 11-storey ICICI Bank headquarters in Mumbai is going for redevelopment - the MMRDA offer of a floor space index (FSI) of four is just too tempting for the bank top brass - even if it means pulling down the complex's most glamorous structure.

The building, in G Block, was built over a five-year period, and accommodates more than 1,000 bank employees. The highlight of the building is the ninth floor, where two dozen wall-mounted flat screens greet visitors at the entrance. From the Bridge Room, as the floor is called, the bank monitors its operations across India, and in 18 international locations.

Bank sources said the new structure will be its grandest in the country. With an increased FSI (see box), the building will have at least four extra storeys, it can accommodate another 1,000 workers, and many more Bridge Rooms. The expansion doesn't come cheap; the bank will pay MMRDA Rs 93,300 per sq mt. The market price at Bandra Kurla Complex is around 1-lakh per sq mt.

MMRDA commissioner Rahul Asthana said as many as 31 buildings in Bandra Kurla Complex have decided to go for the extra FSI. He said, "One of the establishments wants to construct a totally new building. It will not be right to name the company, but I can confirm that we have received such a request."

Sources in MMRDA said 31 offices in G Block had requested MMRDA for extra FSI, which was revised to 4 from 2.5. A senior MMRDA official said, "Six companies have paid around Rs 123-crore to MMRDA for the extra built-up area."

Addressed to Town & Country Planning Division chief Sampath Kumar, the letter, signed by Anuj Agarwal, head, Global Infrastructure and Administration Group, ICICI Bank said: "(sic) We are evaluating the structural feasibility and architectural design for utilising additional built-up area on our existing Plot No C 15 in G block.

A bank source said, "It's going to be a mammoth task for the bank, shifting 1,000-odd workers. But once it is ready, it will be fitting a bank of ICICI's stature. It will easily be the grandest bank structure in the country."

The Economic Times, 21st September, 2011, Mumbai

Premium integrated townships in city's periphery take property prices to a new high

High-End property in the periphery of the tricity is leaping ahead of all speculation. Even as the real-estate market in the upscale category is seeing low demand in Chandigarh, Mohali and Panchkula, developers of integrated townships on the fringes of Chandigarh show no sign of slowing down where prices are concerned.

With the steadily rising interest rates, however, there are not many ready buyers for these steeply-priced properties in these private townships that promise to offer complete civic infrastructure, educational institutions, hospitality, shopping and entertainment options.

Among the most expensive in these premium settlements is Ireo's 200-acre integrated township coming up adjacent to the Panchkula-Kalka highway. The township falls in Sector 3, 4 and 4A of the Kalka Pinjore Urban Complex. The 250 square yard (10 marla) plots here are priced at almost Rs 1 crore, and the 1,000 square yard (two kanal) plots for Rs 3.6 crore. At the same township, the villas spread over 250 square yards are priced at almost Rs 2 crore. The villas made on a two kanal plot, meanwhile, are close to Rs 6 crore.

Indian Express,19th September, 2011, Chandigarh

44 SEZ developers seek more time to implement projects

Reflecting a lack of enthusiasm in special economic zones (SEZ), 44 developers, including Tata Consultancy Services (TCS) and Parsvnath SEZ, have sought more time from the government for implementing their projects.DLF Commercial Developers, Navi Mumbai SEZ and Raheja SEZ have also requested additional time for project implementation from the Board of Approval (BoA), headed by Commerce Secretary Rahul Khullar, as per an agenda note for the BoA's forthcoming meeting.

The board would also revise guidelines regarding power generation, transmission and distribution in SEZs.The promoters which wants to surrender their projects, have cited reasons like the imposition of minimum alternate tax and a lack of response from infrastructure developers.

According to an industry expert, uncertainty over the tax exemptions for new SEZs has also led to declining interest in the tax-free enclaves. Investors are very apprehensive about the new draft Direct Taxes Code (DTC).

According to the revised DTC draft, which will replace the Income Tax Act of 1961, tax exemptions for SEZs will be confined to already existing units. The developers who have sought more time to implement their projects include Wockhardt Infrastructure Development and Bangalore International Airport.

Under the SEZ Act, SEZ units get 100% tax exemption on profits earned for the first five years, a 50% exemption for the next five years and another 50% exemption on re-invested profits in the following five years. SEZ developers, on the other hand, get 100% tax exemption on profits for 10 years, which they can choose to invoke within the first 15 years of operation.

Business Standard,18th Sept. 2011, New Delhi

Govt grants SEZ status to entire Smart City area

The Union commerce ministry today granted the status of a special economic zone (SEZ) to 114-acre site of the proposed Smart City project in Kochi. With this, the SEZ status has now been accorded to the total area of 246 acres of the project. Earlier, in March this year, the government had sanctioned SEZ status only to 132 acres as the total project area is divided into two by a river in the middle.

The latest move is expected to lead to a smooth sailing of the Rs 2,000-crore mega IT infrastructure project. Samrt City Kochi managing director Baju George said that the decision was very positive for the progress of the proejct.

Meanwhile, the work on the Pavilion of SmartCity, which would showcase project's various features, will begin on September 29. The pavilion would also have the offices for the administrative and project management team of the project.

"As per our project plan, the work on the headquarters building will commence of November 19 and the rest of the work would be implemented in a timebound manner," said Abdul Latheef Al Mulla, vice chairman, SmartCity, and group CEO, Tecom Dubai. The decision was taken by the project monitoring committee meeting of Smart City Kochi in Dubai in last month.

Considering the importance of the project and the need for speedy decisions, the committee also decided to induct Kerala chief minister Oommen Chandy as a Special Invitee to the SmartCity Kochi board of directors. Kerala ports and excise minister K Babu and Dubai-based NRI businessman MA Yusufali have also been made special invitees.

The project monitoring committee meeting was chaired by Ahmed Humaid Al Tayer, member of the Supreme Fiscal Committee of Dubai government, and was attended by Abdul Latheef Al Mulla, Dubai Islamic Bank deputy CEO Adnan Chilwan, Emirates

NBD CEO Suresh Kumar, Norka Roots vice chairman MA Yusuffali and SmartCity managing director Baju George.

The meeting, which reviewed the progress so far on the project, set a timeline for the first year's activities and allotted the required funds.

The project is now expected to cost Rs 2,000 crore, about Rs 500 crore more than what was previously projected. The project's initial investment was estimated at UAE Dirham 1.2 billion (about Rs 1,500 crore) to be spent on building the infrastructure. This has now been revised to Dh 1.6 billion (Rs 2,000 crore). The project which was given a ten-year deadline has now been cut to five-and-a-half years.

According to Baju George, the project would have a built-up area of 8.8 million sft with about 20 - 25 buildings. The Kerala government has a 16 percent stake in the project.

Tecom's Dubai Internet City will focus on marketing while SmartCity will host the facilities of multinational and international technology companies. The project is expected to create about 25,000 direct jobs in its first three to four years, and a total of 90,000 jobs are expected when the project is completed.

George said the initial feedback from potential IT firms, which were approached through Dubai Internet City, about setting up facilities in SmartCity Kochi was very positive

Business Standard, 20th September, 2011, Chennai

Mahindra World City gears up for the next decade

Ten years on is a good time to look back and reflect, says Mr Arun Nanda, Chairman, Mahindra Lifespaces, which is the promoter for Mahindra World City, the special economic zone set up 35 km from Chennai. But, as the city, planned for 'work, live and play' enters its second decade, there won't be much time for that as it intends to grow at a frenetic pace.

Now that the city, conceived by the Mahindras, among the first such by the private sector, has many businesses from Infosys to BMW humming, it is going to focus on other aspects of developing the city: plans are afoot to open a full-fledged hospital, a four-star 120-room Holiday Inn Express will spring up in two years' time, and the next couple of years will see 1,500 apartments coming up to accommodate some of the 25,000 people who work in the city.

And, Mr Nanda talks of setting up a full-fledged club house for those who live there and also intends a water front promenade on the banks of the vast and picturesque lake Kolavai which abuts the property. Given the success of the city in attracting software companies – Infosys, as the anchor company employs 17,000 professionals there – Mahindra is in the running to bag a project from a neighbouring country to set up a knowledge city.

In a chat with Business Line, Mr Nanda looked back on the 10 years of Mahindra City's growth and says the ambitious project may have never been if two people, apart from Mr Keshub and Mr Anand Mahindra, hadn't bought into his vision for the city: Mr Deepak Parekh of HDFC who visited the site after the Mahindras had developed 800 acres of the 1,300 acres it had initially acquired, and the other is Infosys' Mr N.R. Narayana Murthy.

"It gives me immense satisfaction to see scores of young men with backpacks and earphones getting off at the station (Paranur railway station which Mahindra developed along with the Railways) to work here," says Mr Nanda. At present, the plug and play business zone, whose roads to sanitation is maintained by the Mahindras, has attracted 60 companies with 35 operational and the rest coming up. The exports from the three sector-specific SEZs were Rs 3,500 crore in FY 2011. Collectively, says Mr Nanda, the companies have invested approximately Rs 3,000 crore.

The Hindus Business Line, 23 Sept, 2011, Chennai

UK's Lebara Group buys hotel near Chennai for Rs 110 crore

The promoters of UK-based Lebara Group have acquired a property in Chennai, which will be managed as a four-star hotel by the Indian Hotels Company. The 190-room under-construction hotel would be managed by the Taj Group of hotels under the Gateway brand. Located on the Old Mahabalipuram Road, in the south of Chennai, the hotel was owned by RAS Adyar Hotel Limited, which is promoted by former Justice Ramaswami's family.

An executive from a hotel consultancy firm said the deal size is pegged at Rs 100-110 crore, but the buyers refused to give details. Replying to an email query, a spokeswoman for Lebara Group said, "Lebara can confirm that its shareholders have bought a hotel in Chennai and have personally invested in this hotel project. Once complete, the hotel will be operated under the Gateway brand of Taj Hotels."

The spokeswoman said the owners of Lebara are keen on other investment opportunities in the sector. Lebara Mobile is owned by Yoganathan Ratheesan. An advisor for the hotel transaction, who did not want to be named, said, "The hotel is being constructed and is expected to be open by 2013."

Jones Lang LaSalle Hotels was involved in the contract negotiation and signing of management agreement with the Taj Group on behalf of Lebara Hotels. Sudeep Jain, executive vice-president of JLL Hotels India, said several hotel assets are on the block across the country as the owners want to exit. Lebara is one of Europe's leading mobile virtual network operators, providing low-cost international mobile products and services to customers across seven European countries and Australia. A person in the know of developments said the owners have Indian ties, which led them to buy this property. "The group might look at other assets in future," he added.

The Economic Times, 21st September, 2011, New Delhi

Input Cost

No news for this section in the week

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