

# REAL ESTATE

## Amended DCR regulations: A positive step

India Equity Research | Real Estate

We recently hosted a conference call with renowned architect Mr. Hafeez Contractor to understand the impact of recent DCR changes on different modes of development and other measures required to enable a sustainable model of housing in Mumbai. Key takeaways of the call are:

URL for call audio (please copy and paste URL in browser)

[http://www.edelresearch.com/webcast/webcast\\_new.aspx?id=19548&lgt=656vfdg&type=ynaj9XvqmJoptbYzJzovtA==](http://www.edelresearch.com/webcast/webcast_new.aspx?id=19548&lgt=656vfdg&type=ynaj9XvqmJoptbYzJzovtA==)

**Approval process to speed up:** As per the amended DCR, a developer does not have to approach the Municipal Commissioner for concessions as these are now part of FSI; an engineer can now directly approve plans. This will help speed up the approval process.

**Amended DCR to apply to all new projects and fresh concessions in ongoing projects:** All projects where developers have bagged IOD but not CC will have to be approved under amended DCR. In ongoing projects, a developer wishing to apply for concessions will have to go through amended DCR. If a developer is not seeking new concessions in ongoing projects, he can continue construction under previous DCR rules.

**Saleable area may not reduce significantly; costs to rise:** A number of components of saleable area like terraces, flower beds, car parks, which were earlier sold separately will now become legalized and can be sold along with the flat. The overall saleable area may not reduce drastically. In terms of costs, developers will have to shell out FSI premium costs. However, the quantum of cost increase is not clear.

**Redevelopment projects in island city to be key beneficiaries of amended DCR:** As per previous norms, FSI for cessed buildings in the island city was 3x and for CRZ areas it was 2.5x which is proposed to be taken to 3x. These projects will now get additional 35% area taking FSI to 4x, making redevelopment a lucrative option for developers.

**Slum rehab projects to also benefit from recent modifications:** The recent plan to enable transfer of ownership to slum dwellers who have shifted post the cut-off date of January 1, 2000, is a positive step which will enable faster execution of slum rehab projects in Mumbai stuck due to eligibility issues.

### Outlook: Resumption of launches and price correction in the offing

Since November 2010, approvals in Mumbai had slowed down significantly. Subsequently, newer launches were deferred, curtailing supply, leading to higher prices and reduced volumes. Going forward, we expect new launches to follow in Q1FY13, resulting in easing of property prices and improvement in volumes. Accordingly, we expect prices to correct and volumes to recover. The resumption of the currently-grounded business cycle will be a positive for Mumbai developers' cash flows and stock performance. Our top pick in the space is **Oberoi Realty (Buy)**, while **Orbit Corporation (Hold)** may also benefit from changes in rules for redevelopment in old buildings.

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## Coverage group(s) of stocks by primary analyst(s): Real Estate

Brigade Enterprises, DLF, Jaypee Infratech, Mahindra Lifespace Developers, Oberoi Realty, Orbit corporation, The Phoenix Mills

### Recent Research

Date	Company	Title	Price (INR)	Recos
03-Jan-12	Real Estate	New DCR regulations: A level playing field; <i>EdelFlash</i>		
03-Jan-12	Real Estate	Mumbai: 20% reservation for LIG housing on cards; <i>EdelFlash</i>		
28-Dec-11	DLF	Pune SEZ stake sale along expected lines; <i>EdelFlash</i>	193	Hold

### Distribution of Ratings / Market Cap

#### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	119	47	15	184
* 3 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	111	57	16	

#### Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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