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REaVIEW

Dear Readers,

REaVIEW is a monthly news digest bringing to our clients and well-wishers news updates on major developments in the realty industry. The periodical will keep the readers updated on the significant changes and trends affecting real estate development within the country as well as globally, thus helping them in taking informed and calculated investment decisions

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Sunil Kumar V
Founder & Managing Director
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Can Indian real estate market face a crisis like China's Evergrande?



A Hong Kong court on January 29 order the liquidation of embattled Chinese real estate giant Evergrande, a move that is likely to impact China's financial system and the confidence of global investors. Here's a look at how the Indian real estate market has come a long way since the non-banking financial companies (NBFCs) crisis triggered by the collapse of Infrastructure Leasing & Financial Services.

Real estate experts say that there are similarities as well as variations between the Evergrande crisis and the Infrastructure Leasing & Financial Services (IL&FS) disaster. Both include massive debt and poor financial management, which have serious consequences for their respective markets. But unlike China, India's real estate sector gradually recovered thanks to government initiatives and the setting up of the Real Estate Regulatory Authority across the country.

"Following the IL&FS disaster, India's real estate market has gradually

recovered thanks to government initiatives and regulatory changes like RERA. While there are still obstacles like capital shortages and regulatory barriers, India's real estate sector is comparatively more stable than China, which is currently experiencing a slowdown. The IL&FS crisis was primarily limited to India whereas Evergrande's issue has wider global ramifications because of its scale and exposure to foreign debt," said Shobhit Agarwal, MD and CEO, ANA-ROCK Capital.

Evergrande issue has wider global ramifications

While there are still obstacles like capital shortages and regulatory barriers, India's real estate sector is comparatively more stable than China's, which is currently experiencing a slowdown. The IL&FS crisis was primarily limited to India, whereas Evergrande's issue has wider global ramifications because of its scale and exposure to foreign debt. Agarwal adds.

It should be noted that Evergrande has more than \$300 billion in debt. It had overbuilt and taken money for flats that were not completed leaving thousands of homebuyers in a lurch. Agency reports said that High Court judge Linda Chan's decision on January 29 effectively kickstarts a long process which includes liquidating the developer's assets and replacing its management to assuage concerns of its creditors.

Agency reports said that the demise of Evergrande, which first defaulted on a debt payment in 2021 after Beijing clamped down on lending to property developers in an effort to cool a property bubble.

How are the two real estate markets different?

Chinese real estate developers, responsible for almost 40% of home sales in China, have grappled with a significant issue of defaulting on debt since 2021. They've defaulted on over \$114.6 billion of the \$175 billion in outstanding dollar bonds. Factors include the ongoing COVID-19 impact and government regulations to control financing methods. These measures were aimed to maintain financial stability and control property price surges, limiting funding options for developers, explains Gulam Zia, Senior Executive Director at Knight Frank India.

Another real estate developer Country Garden has been facing financial turmoil, with \$1917 billion in total liabilities and 3,100 real estate projects, nearly four times more than Evergrande. A report published in the South China Morning Post last week had said that embattled Chinese developer Country Garden Holdings has put a chunk of assets on the block in Guangzhou in a bid to repay sizable debt due within the next six months.

One more aspect to be kept in mind is that Chinese homebuyers have lost confidence due to incomplete projects and lax regulations allowing developers to redirect funds from escrow accounts, said Zia.

Also, China's real estate sector accounts for about 30% of its GDP, while India's contributes only around 7%. Even in the next two decades this will not increase by more than 15%, say real estate experts.

India's real estate sector is currently valued at \$477 billion, making up 7.3% of the economy. Projections foresee substantial expansion reaching \$5.8 trillion by 2047, contributing 15.5% to the total economic output. This growth is driven by increasing demand for better living spaces due to rapid urbanization, a report by Knight Frank and Naredco had observed last year

RERA: A game changer for India's real estate sector

The real estate regulatory authorities set up across the country to regulate the realty sector and protect homebuyers have helped clean up the sector.

"China faces significant challenges, while India's market is poised for growth, driven by urbanization. Lessons from past challenges and regulatory reforms have made India's market more resilient and consumer-oriented. The outlook for India's real estate sector is optimistic, making it better positioned for stability compared to China's counterparts," adds Zia.

Sustained housing demand

The crucial difference between China and India is the sustained demand from the end-user.

India's real estate sector has shown stable demand, even during economic downturns like the 2008 Lehman crisis. Challenges in India were more about developers overleveraging funds from homebuyers. China, on the other hand, faced difficulties with many builders struggling to make timely payments, worsened by limited access to funds due to the global economic situation, Zia notes in his research paper titled India's Resilient Real Estate Market Amidst China's Real Estate Woes: A Comparative Analysis.

Several reports by international consultancies have indicated that India's top seven residential markets have continued their bull run in 2022 with housing sales increasing by 26% on a year-on-year basis to touch 2.71 lakh units.

Tech-driven cities such as Pune, Chennai, Bengaluru, and Hyderabad witnessed increased sales compared to the previous year, a report by JLL said on January 10.

The average apartment sizes in the top seven cities have also grown by 11% annually last year from 1,175 sq ft in 2022 to 1,300 sq ft in 2023 on the back of increasing demand for bigger homes, data shared by Anarock Research showed. Among the top 7 cities, NCR saw the highest growth (37%) in average flat size in the last one year from 1,375 sq. ft. in 2022 to 1,890 sq. ft. in 2023.

The land acquisition spree of financially strong developers and entities also continues and as many as 97 separate land deals were closed for over 2707 acres in 2023 across the country. Backed by strong residential sales momentum across cities, at least 72% of the total land area closed in 2023 is slated to be used for residential development, data shared by Anarock Research showed.

Real estate market in Kerala witness to great buoyancy



The emergence of a new class of home buyers in the State, rising demand for commercial spaces in Tier-II cities like Kochi and Thiruvananthapuram, and greater transparency and accountability in the market have combined to give a big boost to real estate development in the State.

The market is now open, more quality players are in, and transactions are transparent with builders taking customers into confidence, said Rijaz Ka practising chartered accountant in Kochi and a recent home buyer. He felt that the uncertainties posed by the pandemic three years ago had blow over, and real estate business was bouncing back

Kerala Real Estate Regulatory Authority (K-RERA) Chairman P H Kurlen said the number of new projects registered with the regulator had gone up consistently over the years. He felt that while Thiruvananthapuram and Kochi accounted for a big chunk of the annual business in the sector, the emergence of local buyers, who were capable of investing in a home with bank loan support, had increased, possibly augmenting the pace of urbanization in the State.

The latest data from K-RERA said the calendar year 2023 showed a significant increase in the number of new projects registered. In 2022, 159 projects were registered. The number rose to 211 in 2023. A total of 191 projects were completed in 2023. The year also saw the highest number of registrations in the residential apartment segment. They stood at 122. Fifty-six were villa projects and 21 plots were registered. The number of residential-cum- commercial space projects stood at 12 during 2023.

Residential apartment units registered stood at 7,362. As many as 1,181 villas and 1,623 plots were also registered. The largest number of new registrations were in Ernakulam district. The number stood at 78, accounting

for 2,787 units. Thiruvananthapuram district saw 51 new registrations, and they account for 2,701 units. No registrations were reported from Wayanad and Kasaragod during 2023.

The K-RERA data also showed that 15,14,746.37 sqm. the built-up area was registered during 2023. Of this 17.103.61 sq.m. are commercial space.

The Confederation of Real Estate Developers' Association of India (CREDAI) has felt the increasing buoyancy in the market. The apex body of organized real estate developers, representing over 20,000 developers across 21 States and 220 cities in the country, it has engaged in creating a policy framework conducive to the growth of the real estate sector. Credai has also worked to form guidelines and a code of conduct to promote Integrity and transparency to provide confidence and comfort to customers.

Credai Kerala chapter secretary Edward George P said the real estate market was bouncing back. There is optimism and a sense of positivity as visible in the robust demand for both commercial space and homes.

He lauded K-RERA for creating great confidence in the market. The days of non-serious players are over. Only those who are serious about honouring their commitments to consumers enter the field. They do it after proper planning and setting a timeline for customers so as to avoid any trouble. He conceded that the number of projects and players in the market might be less, but they were reliable for their commitment and quality.

Mr. Edward also said that the demand for space in Tier II cities was supporting the commercial space sector. Multinational companies, which can operate out of any city in the country, are moving out of larger cities for various reasons. Kerala stands to gain with the availability of quality manpower, he added.

NBCC to develop a commercial-cum-residential project worth ₹2000 crore in Kerala



The project includes development of mixed- use commercial-cum-residential complex in phases on a self-sustainable development model. NBCC said.

The government's construction arm NBCC will be developing a mixed-use project worth ₹2000 crore in Kerala, NBCC said in a statement on January 25.

The development of 17.9 acres of land parcel of Kerala State Housing Board at Marine Drive, Kochi will be undertaken by NBCC (India) Limited. This 2000 crore project includes development of mixed use commercial-cum-residential complex in phases on a self- sustainable development model, it said.

"This project exemplifies our commitment to sustainable urban development and creating spaces that harmonize with the evolving needs of the community." said K.P. Mahadevaswamy. CMD, NBCC.

After considering the land orientation and commercial viability, the total

land parcel of 17.9 acres has been divided into two parts of 3.16 acre and 14, 74 acre wherein it is planned to construct a built-up area of approximately 71,900 sq.m and 3,20,700 sq.m respectively, NBCC said.

NBCC has prepared a concept note for the execution of the project which shall be presented for approval by an empowered committee of the state government. The concept note envisages two pockets of development.

While one pocket is planned for mixed development with commercial/office facilities and residential flats, the second pocket is planned for a residential complex along with a connected commercial facility and a 2500-pax convention center along with a hotel facility, NBCC said in a statement.

This development will resemble a mini smart city. Sustainable features such as solar power, rain harvesting. STP, bio degradable and non-degradable waste disposal have also been included, it said.

<https://www.hindustantimes.com/real-estate/nbcc-to-develop-a-commercial-cum-residential-project-worth-rs-2000-crore-in-kerala-101706197189718.html>



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