

Top Emerging Real Estate Patterns

The realities of growth deceleration, significant tighter financial conditions, contraction of industrial consumption have markets on heightened recession watch.

Capital Deployment

Apart from the office sector where large capital is still looking at opportunities, capital is moving towards fresh projects, and not stuck projects, specifically in the residential segment. Most capital in the residential segment is being invested in greenfield projects. This could be attributed to a couple of factors such as the lack of enforceability of the senior, junior structure in the capital stack of a project in case the situation goes to NCLT or the lack of clarity on the third part rights that may have been created in the project. Refinancing on stuck residential project has been at a standstill.

Consolidation

In most downturns/ slowdowns, consolidation plays out and it's no different in the Indian real estate space. This has begun in the form of stalled projects and approved land banks being taken over by larger and more reputed developers backed by healthy equity infusion from them and a strong PE partner. We will soon see entities also being taken over and this will play out to clearly differentiate top developers across the country.

Office Sector Outperforms

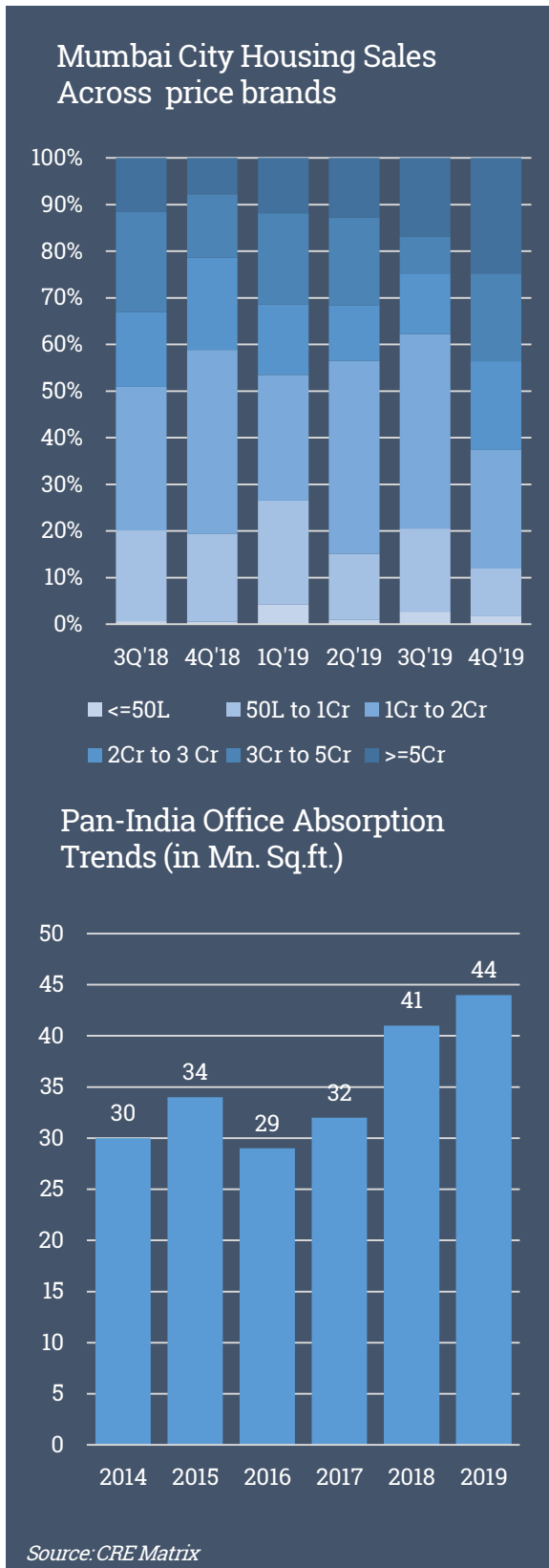
Be it global institutional investors investing in completed or greenfield office assets, leasing volumes being at all-time highs, outsourcing continuing to stay stable or shared office space/ co-working growing rapidly, the office sector has clearly been the star or the saving grace of the Indian real estate market.

Mid Market Remains Buoyant

Whether we describe it as affordable or midmarket, the one component of the residential sector that has shown volume has been the mid-market priced housing. While this price point is different in each city, it has kept the market moving in spite of the looming liquidity crisis. It just shows that if the product being built is what's needed in the market, then the insatiable demand for housing in India will drive sale volumes northwards.

Stuck Projects Struggle

There is a huge number of stuck projects across the country due to a variety of issues but primarily due to the current liquidity crisis. The situations don't seem to be getting resolved due to the combination of a variety of issues such as the equity value left over in the project, the legal framework not providing comfort for rescue/ last mile financing, and last but not the least, lack of sales in the project.



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