



**NITESH KUMAR**  
Director (Sales & Marketing), TDI Group

In India, ample liquidity, reduced interest rates, a stable government and increased demand for affordable housing have raised hopes that the realty will bounce back fully by 2009-end. Nevertheless, caution should still be the watchword.

# Realty Comeback With A Caution

It's time to again raise a toast for real estate! The market has now started giving positive results. Demand for homes has increased recently and sales have hit the highest level since September 2008. The good news is that the market is transforming itself from an investor-driven to an end-user entity.

**W**ith little demand for the premium segment at present, the developers have realized that they need to focus on mid-segment. Hence, affordability is the current buzzword among them. Lots of developers are offering affordable housing units in the price range of Rs.20 lakhs-Rs. 35 lakhs not only in Delhi-NCR but throughout the country. Sentiments are high among the end-users as they want to reap the maximum benefit out of the situation. A sharp decline in interest rates for home loans from 12% to as low as 8% has further fuelled the demand.

Another clear indication of the sector's recovery from the slump is that now the total number of real estate companies that have filed DRHPs with SEBI recently has gone up to seven, wherein the firms have plans to launch their IPOs in the next few months. In fact, this would be the right time to tap the capital market as there is a positive movement in housing demand. Current realty stocks have also corrected almost 70% since early 2009.

However, the slowdown had its impact on the timely delivery of projects. Developers need to ensure continuous flow of funds for smooth progress of their projects and at the same time keep a check on their overheads and marketing expenses. Real estate players are now opting to raise money through QIP route where securities are placed with institutions to raise funds. QIPs provide an easy and less time-consuming fund-raising option. To sustain the low-cost housing segment, developers should also continue to

have low land cost and mortgage rates at reasonable price.

Investors too, are back and are cashing on the 'affordable housing' wave with the thought of buying properties before the prices go up again. Retail and commercial sectors too are on the revival track. The companies are planning to open more stores pan-India and hire more staff in the coming year. However, the sector will take some more time to come back on the track. The prices of real estate were very high which made it difficult for retailers to sustain the business. Now, with the prices coming down considerably on realistic levels, more and more properties are being offered on a revenue-sharing model. This makes a win-win situation for both the retailers and the developers.

The fact that the sector has already witnessed an FDI investment of \$1 billion in the first quarter of the year, it signifies that there is still a genuine interest of foreign funds to invest in the Indian market.

Globally, the housing markets have shown a sign of recovery too. Despite a continuation in price correction worldwide, average prices have actually started rising in some regions.

In conclusion, talking about the Asian market, especially India's, ample liquidity, reduced interest rates, stable government and its initiatives to revive the sector, more job opportunities and increased demand for affordable housing units have raised hopes that the real estate will bounce back in its full form by the end of this year. Nevertheless, in spite of all positive signs of recovery, caution is recommended. ■