The real estate scenario: Stressed? Concerned? Shaken?

2011 witnessed the extremes of climate in the real estate market with rise of property and interest rates, scams and controversies, the landmark Noida Extension court judgement and 2012 is expected to continue the pandemonium.

Rupee is depreciating countered by high rise in fiscal deficit and interest rates show the uncertainty in the global and national economy. It shows a rise in demand though there is steady supply in the market in the presence of high prices and interest rates.

The commercial spaces may have been hit by the economic slowdown and increasing only at special economic zones whereas the commercial properties are also showing signs for a need for price correction. Problems for developers include the lack of working capital as the market is reeling under high debt as even foreign investments are slowing down.

Hong Kong and Shanghai Hotels Ltd takes “the silk route”

The Hong Kong and Shanghai Hotels Ltd that operates luxury hotels under ‘Peninsula’ brand declared in April it is in talks with international parties for partnership to enter the Indian market as the officials are scouting for assets in India to start operations in Delhi and Mumbai. The names of an Indian counterpart have still not been disclosed as the officials are scouting for partners. “We are looking for the right partnership for long term and we want to go slow and steady in the market” said Chairman Borer.

The Hong Kong-based hospitality chain currently operates nine hotels in Hong Kong, Tokyo, Beijing, Shanghai, Bangkok, Manila, New York, Chicago and California with an average room of about 200-300 per property.

The company is still learning about the real estate situation in India and will not compromise on lower or cheaper substitutes and go for a culturally connected and centrally located location.
**Real estate industry in India** has been one of the shining sectors with robust growth record ever since US Sub-prime crisis. All major MNC’s are shifting their manufacturing plants to southern Asian countries like India and China which in turn created demand driven price hike for land. The stipulated demand for land has derived mainly from independent functions like increased urban population, liberalization in the economy, subsidizing interest rates on house loans, 100 % FDI approval etc. The construction industry in India which is 3rd largest among the 14 major sectors contributes about 5 % to the Gross Domestic Product with a size of US$ 180 billion by 2020. The demand is mainly catalyzed from international retailers and is expected to grow at a compound annual growth rate (CAGR) of 19 % between 2010 and 2014. In 2011 over 11 % of total FDI in India was in the real estate sector. With Growing requirements of space from sectors such as education, health care and tourism exaggerated opportunities in real estate sector. This sector happens to be the second largest employer after agriculture and is exposed to grow at the rate of 30% over the next decade. There are few joint ventures and takeovers trying to fill the gap with new proposed projects one such kind of JV is Sahara turner construction.

A joint venture under Sahara Turner Construction Limited planned to enter Indian real estate sector providing integrated construction services lead in the development of townships. The joint venture holds 63% shares of Sahara prime city limited, one of the leading real estate developers and 27% of turner construction company, a leading general builder in the united states and Acropolis Capital. Sahara turner will lead the development and construction of multiple townships across India with an approximate value of $ 2.5 billion over the next 5 years. At present this venture plans to enter the development and ownership space of building infrastructure projects using the experience and qualifications of turner, gained over 110 years of operations. Over time the company is expected to expand its horizons to other markets such as infrastructure, healthcare and hospitality.

The plaza centers group is a leading emerging markets developer of shopping and entertainment centers. The plaza center group has developed at least 30 shopping and entertainment centers across the globe. It has presence in countries like Hungary, Poland, the Czech Republic, Greece, Romaine, Latvia, Serbia and Bulgaria. This real estate construction giant associated with pioneer property zone of India for their first mall- Koregaon park plaza mall at Pune. With a demand of 4 mn sq.ft commercial floor space, the present industry can afford to suffice a demand of 1.9 mn sq.ft. Only Bangalore and Hyderabad are showing positive growth rate both in terms of demand and supply of floor space availability in the malls. The entry of more construction industries like plaza centers groups can fill the void.

**Brand Ambassadors- the new found promotional tools for Real Estate Sector**

Ajnara India Limited (formerly Ajnara Farms & Services Ltd.) is a real estate giant with an experience of almost a decade and a half, guiding its growth. The expanse of East Delhi and U.P being its centre of operations, Ajnara has effectively completed various projects, both residential and commercial in nature, on land acquired from DDA & GDA, through auctions. Ajnara India Ltd, a major realty player with projects in Raj Nagar Extension, Crossings Republik, Noida and Greater Noida, has recently roped in the famous bollywood actress Kangna Ranaut to endorse its projects.

Ashok Gupta, the managing director of Ajnara India Ltd, says: “Ajnara is a brand which offers affordable to luxury housing options with quality and bring high levels of professionalism to the trade. Kangna is one of the very few actresses who have achieved stardom in Bollywood in a very short span, though coming from an ordinary family. She is today the epitome of style and fashion, yet so humble. We believe that this would help our brand connect with our buyers well.”

Ajay Devgan has also ventured into real estate with Roha Group through Ajay Devgan Infrastructure (ADI). The company will soon launch its maiden projects in residential and commercial space in Mumbai.

Further, the Devgan-Roha tie-up will also invest in a 25 MW solar plant in Gujarat. Set up for Rs 400 crore, the plant is expected to be operational by the end of next year.
Entrepreneurial Streak – K.P. Singh

Come IPL season and another equally important 3-letter word that one can recall is DLF! DLF - Delhi Lease and Finance Limited is the largest commercial real estate developer in India. The Chairman and CEO Mr. K.P. Singh is a successful real estate mogul who has made name and fame internationally and gave India a face lift in terms of becoming an attractive real estate investment destination. Kushal Pal Singh Teotia was born in Uttar Pradesh and went on to do Aeronautical Engineering in U.K. The British Officers Services Selection Board, U.K selected him to become a part of the Indian Army. He was commissioned into the cavalry regiment of ‘The Deccan Horse’. Later he quit, only to join American Universal Electric Company which was a joint venture between Michigan-based Universal Electric Company and his family. When it merged with DLF Universal Ltd in 1979, he took over as the new Managing Director. From then on, he worked his way up brick-by-brick.

Problems faced during his entrepreneurial journey were many but his ability to convince coupled with persistence, eventually made it possible for him to garner support. Land acquisitions during 1980’s were strenuous due to land legislations and rules and regulations from the town planning department, making it difficult for private developers. But he didn’t lose hope and knew that in the long run it will be fruitful and so tried convincing the government to change the laws and then requested people in Gurgaon and surrounding areas to sell their lands to him. Being traditional agriculturists, they were not willing to give up ancestral properties but it is here that K.P. Singh’s marketing genius comes to the fore. He made them realise that they were holding almost 5 acres of unproductive land that did not give them enough income. If they sold their lands to him, he would pay them back ten times more land that is far more productive and the ownership will be theirs, so that a sense of security is instilled in them. This way he managed to build his real estate empire without compromising on the belief that it is far more fulfilling to give than accumulate.

His achievements include having been the President of ASSOCHAM and PHD Chambers of Commerce & Industry, Founder Member, National Estate Development Council and many others. He was declared by Forbes in 2008 as the eighth richest person in the world with a net worth of around $30 billion at that time. He was conferred the Padma Bhushan award in 2010. He also received the ‘Delhi Ratna’ Award for his exceptional contributions to Delhi. Last year, he won the Entrepreneur of the Year award at The Asian Awards.

Through K.P. Singh, DLF has revamped the real estate industry in India and in few years, the entry of MNCs and good CAGR of the industry will corroborate DLF’s success throughout the world. Joint ventures with Hilton Hotels, with WSP group to build natural environments and apartments for premium segments in Chandigarh, Chennai, Shimla are under way. It is also aggressively marketing itself down south in Kochi, Hyderabad and others after having made a mark in most of the North Indian cities.

Indian population exceeding 1 billion mark with few states like Uttar Pradesh, Mumbai having population even equivalent to countries is an alarming sign for accommodating such huge strength. It requires lot of resources which are needed to be tapped continuously and vigorously. But, it is well known that resources are limited and continuous exploitation will someday force us to bring Hollywood fantasies to life where men go on exploration of outer space.

In order to meet the requirements of such a populace, effective and smart techniques has to be incorporated. A set distinction has to be made in terms of resource availability and their ability to replenish. Resources like oil, coal takes hundreds of years to form, and similarly resources like wind, heat are abundantly available. Thus, a smart way of choosing and then using resources is a must.

Real estate industry is not far from such a concept. NBCC (National Building Construction Corporation) have set up codes to align them with conservation in maximum respect. Buildings constructed under such codes use all possible non-conventional energy resources and techniques to put least burden on natural wealth and efficiently caters to the alarming need of people.

Many of the government buildings have been refurbished under it and many are under process. It uses solar power & wind energy systems to meet electricity needs, CFL or the recent LED lighting to minimize the energy consumption, smart air conditioning units to reuse the hot air given out during cooling process and many more.

Buildings are becoming self-sustainable and posing least pressure on environment. Construction of such buildings is done under PPP (Public Private Partnership) mechanism where tenders are floated and private companies participate. Projects can be BOO (Built Operate and Own) or BOT (Built Operate and Transfer) depending upon the guidelines mentioned in tender.

Some of the Green buildings in India are:


So, it is apt to mention that Indian real estate industry is adapting to the changing needs actively. It should continue doing it in order to have a better future of our coming generation on our own planet and keeping Hollywood fantasies away from coming to life.
The Real Deal

Home sweet home in India is beyond the conformity of a cozy house, a cozier couple, a garage, a fire place for winters, a porch, two kids and a dog! It heavily rests on the verdict of Vastu Shastra. Vastu Shastra also called as Vastu in Veda means the "Science of Construction" or the "Science of Architecture". Vastu Shastra has been an age old practice in India under which the law of nature determines the dwellings of human beings.

In India the pricing of a property is not determined solely by the location or the features of the building but Vastu Shastra plays a bigger role as Indians prefer homes that are constructed in accordance with Vastu just as Japanese construct their houses in purview of Feng Shui.

It is no surprise in India to find real estate players advertising or pitching their buildings on the tag of “Designed as per Vaastu”.

Buildings and plots that do not conform to Vastu Shastra command lower prices when compared to their designed as per Vastus Shastra counterparts. In today’s age of science and technology it comes as a surprise that this ancient form of art has become such an important part of real estate. A central heating system add on may not attract an investor as much as a Vastu Shastra conformed estate may.

Vastu Shastra has lead to creation of a full time occupation known as Vastu consultancy. These Vastu consultants go into the nuances of nature and are hired by the best real estate players in India such as Lodha Bellezza, IndiaBulls for creating Vastu complaint homes and buildings.

Vastu Shastra essentially means creation of harmony between man and the five elements of nature i.e. Fire, Water, Earth, Air and Space.

Even the world’s richest people have fallen prey to Vastu Shastra and in 2011 there was a lot of speculation when Mr. Mukesh Ambani, ranked 9th richest in the world by Forbes magazine was apprehensive about moving into Antilia- the most expensive house in the world because of lack of windows facing east- a good vastu requisite.

Mr. Mukesh Ambani, ranked 9th richest in the world by Forbes magazine was apprehensive about moving into Antilia- the most expensive house in the world because of lack of windows facing east- a good vastu requisite.

Hence, the significance of Vastu Shastra is manifold and leading property builders have understood that a structure which a house of 21st century should have. Finally, before the curtain drops slowly the camera shifts the focus from the happy couple to the beautiful and elegantly designed interiors of the house.

In my opinion, the commercial, in a not so commercial way has tried to communicate to their audience that they not only want to sell their houses to the buyers but also build a trustworthy relationship with them. They will take equal care to make sure to transform their ‘houses’ of just brick and cement into a place called ‘home’.

Slogan of the Ad Campaign: “The most enduring relationships are founded on trust”
Slogan of Mantri: “Mantri Developers: Foundation of trust”
Rating: ★★★★★
Ad agency: Lowe Lintas India Private Limited (Lintas Productions)
MARKET ANALYSIS

The Indian Real Estate Industry

The last decade has seen a boom in the real estate industry and the city graffiti has only expanded from tier-1 to even tier-3 cities now. Some of the major global players have set shops here owing to the fact that the NRIs prefer to invest their money in India than any other country since the appreciation rates are higher and the ROI is very lucrative. Inspite of Mumbai being one of the costliest cities to live, in terms of real estate value, with one of the highest rate per square feet in the world, the city has not seen its boundaries reducing to expand even the slightest. Likewise, cities like Delhi and Bangalore have embraced vast expanses of the so called ‘outskirts of the cities’ to accommodate the tremendous demand for houses, especially in the metropolitan cities. Prices too have skyrocketed with such growing demand. Newer concepts like group home buying, easy and relaxed home loans from almost all banks with flexible paying options, high discounts and other bonanzas have been other important factors influencing such demand. But due to growing industrialization and globalization, the investments keep flowing.

Demand for commercial property is being driven by India’s economic growth. This sector happens to be the second largest employer after agriculture and is expected to grow at the rate of 30 per cent over the next decade. The size of the Indian real estate market is expected to touch US$ 180 billion by 2020. The housing sector alone contributes to 5-6 per cent of the India’s GDP. Retail, hospitality and commercial real estate are also growing considerably, providing the much-awaited infrastructure towards India’s growing needs. According to a study by ICRA, the construction industry in India ranks 3rd among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy. A unit rise in construction spending generates five times the income, having a multiplier effect across the board. With backward and forward linkages to over 250 ancillary industries, the positive effects of real estate growth spread far and wide. Therefore, real estate acts as a catalyst for adding momentum to growth of the Indian economy.

The real estate segment comprises not only of residential and commercial spaces but also special economic zones, IT and ITES parks, Central and Secondary Business Destinations, infrastructure development projects, hospitals, hotels, etc. These aside, the demand for land and plots have also risen exponentially and some areas of our country are facing serious issues in terms of space crunch. Hence, although the industry has been a major contributor to the economy, but unless and until sustainable development is taken up as the savior of the hour, the future generations are to face some serious consequences, the best evidence being people having to travel by trains for hours to commute between work and home in some cities even though they earn substantial, it incapacitates them to but a modest home in their preferred vicinities. If such is the scenario today, then the picture two decades down the line is a serious matter of concern.

MARKETING MANTRAS

Enterprise Zone
A piece of land or real estate dedicated to the setting up and development of businesses. In the European Union, conditions applying to such zones are preferential, offered to entrepreneurs as inducements to transfer to the areas. The inducements include tax breaks, inexpensive or interest-free loans and other financial assistance, professional advice and business counselling.

Escrow Agent
An entity that has fiduciary responsibilities in the transfer of property from one party to another. Typically associated with selling or buying a home or other property, the escrow agent will secure the property and examine documents to make sure that the terms of the sale are met on each end, serving both the buyer and seller in the transaction.

Sales Comparison Approach – SCA
A real estate appraisal method that compares a piece of property to other properties with similar characteristics that have been sold recently. The sales comparison approach takes into account the affect that individual features have on the overall property value, meaning that the total value of the property is a sum of the values of all of its features. Real estate agents and appraisers may use this approach when evaluating properties to sell.

Comparative Advantage
The principle that cities or regions tend to produce those items or support those activities for which they have the greatest advantage over other areas as defined by the factors of production, demand, supporting industries, and quality of life considerations, as defined in relation to human, financial, and physical resources, and opportunity costs—costs expressed in terms of opportunities foregone.

Customer-spotting approach
An approach to estimating the retail trade area (and sales/revenue potential) for a given establishment or center based on the location of existing customers via point-of-sale information (by obtaining customer address or zip code data) or customer surveys (by interviewing customers as they enter the store); data which can later be mapped to determine the extent of the trade area.

Functional feasibility
Considerations made in the site selection process which assist in the evaluation of site potential as defined in terms of the practicability of a site, the best site for a given use, or the determination of a site’s best use, through the examination of linkages, competition, demographics, and market conditions.

Gross Rent Multiplier (GRM)
A method investors may use to determine market value. This method calculates the market value of a property by using the gross rents an investor anticipates the property will produce at end of year 1 multiplied by a given factor (known as the gross rent multiplier extracted from the marketplace).

“Certainly the advent of technology and electronic commerce has had an immense impact on the real estate industry.” - Michael Oxley

“It’s tangible, it’s solid, it’s beautiful. It’s artistic, from my standpoint, and I just love real estate.” - Donald Trump
1. Which document transfers ownership of real estate from one party to another?

2. What levels of government have the right to seize real estate through eminent domain (take your property against your will, but pay you for it)?

3. What common distinction is made between personal property and real estate?

4. What is a set of regulations that determines requirements for the construction of various structures?

5. A house as listed as 2200 sq ft. in area is actually bigger than that why?

6. What are the five real estate investment “tools” that lead one to wealth?

7. What are the benefits to a company for acquiring a land/property which has an SEZ status?

8. What is an “Umbrella Joint Venture”?

9. Who is the largest real estate developer in India?

10. Name any three famous developers in Bangalore, Karnataka?

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**Real Estate Quiz!**

**Answers**

1. A Deed
2. All levels of government having already repealed the Act
3. Personal property can be moved, real estate cannot be moved
4. A Building Code
5. The garage is not included in the house size calculation
6. Cash Flow, Amortization, Leverage, Appreciation, Tax Advantages/Shield
7. SEZ Act, 2006 provides major Tax benefits, Tax relief and a Single Window clearance and approval.
8. Foreign developer/investor enters into a joint venture with a local partner to carry out projects.
9. DLF
10. Sobha Developers, Parsvanath Developers, Mantri Group, Prestige Group, Raheja Group etc.

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**Real Estate Industry**

Indian real sector has seen an unprecedented boom in the last few years. Historically, real estate sector in India was unorganised and characterized by various factors that impeded organised dealings. However in recent years the real estate sector in India has exhibited a trend towards greater organisation and transparency accompanied by various regulatory reforms.

These reforms include:

- Government of India support to the repeal of the Urban Land Ceiling Act, with nine state governments having already repealed the Act
- Modificaitons in the Rent Control Act to provide greater protection to homeowners wishing to rent out their properties
- Rationalization of property taxes in a number of states.
- The proposed computerization of land records.

The robust growth was ignited and fuelled by two main forces. First, the expanding industrial sector has created a surge in demand for commercial spaces. Second, the liberalization policies of government have decreased the need for permissions and licenses for taking up mega construction projects. Opening doors to foreign investments in 2002 is a further step in this direction.

FDI was deemed necessary in view of making the sector more organized and professional. The villages adjacent to the metro cities have experienced sky-rocketing land prices. This has induced farmers to sell their land for good money.

Real Estate deals contribute to about 5 per cent of India’s gross domestic product (GDP). The total revenue generated in 2010-11 stood at US$ 66.8 billion. Demand is expected to grow at a compound annual growth rate (CAGR) of 19 per cent between 2010 and 2014—Tier 1 metropolitan cities are projected to account for about 40 per cent of this. Growing demands of space from sectors such as education, healthcare and tourism provide opportunities in the real estate sector. FDI of more than US$ 9 billion was infused in real estate in the last decade. Urban population has been increasing and is expected to cross 590 million by 2030. Urbanization and growing household income are some of the major factors that influence demand for residential real estate and growth in the retail sector.

**Future Prospects on Real Estate Industry:**

The real estate market in India is yet in a nascent stage and the scope is simply unlimited. It does not resemble a bubble that will burst. An unhindered growth for the next twenty years is almost sure. This is because Business Process Outsourcing is expanding in great guns and this entails a huge demand for commercial buildings and urban housing in India. The organised retail market in India is also accelerating with players like Walmart, Bharti, Reliance, etc. looking forward to make a foray thus stepping up the demand for real estate.
1. What was your first impression of Christ University?
I went through a lot of MBA forums before joining Christ and found it is one of the best colleges in Tier II. Once I got selected I felt happy to have got selected as it was a new place away from my home town and the infrastructure was one of the best.

2. How has being in CUIM helped you in your personality development?
It has helped a lot. Most of all mingling with people from various parts of India helped me to be competitive and has made me realise that you need to be the best in order to be competitive. I have gained a lot of confidence, knowledge and all in all had a nice experience in these 2 years.

3. Tell me good things and things which can be improved in CUIM?
Good thing is that there is a lot of scope for you to improve your personality; there is no dearth of encouragement. For instance when Quest Club decided to host the national level business quiz, Fr. Thomas provided with lot of freedom, motivation and encouragement in conducting such a big event. It gives you good opportunity to develop your leadership skills and helps you stand out of the crowd. One improvement is that it can give the choice of attending events to the students. I understand that some big events should be made compulsory but apart from that the student has to be given a choice whether to attend the event or not as at the end learning has to be from the heart it can’t be enforced upon.

4. Where have you got placed? Tell me about your placement experience.
I have got placed in Tally Solutions Pvt. Ltd. Even though I got placed in the first company that came to college it was not easy. I had to work hard to get placed in my first attempt. My USP is current affairs and quiz, I had won several awards and hence it helped me to get placed. I started preparing for Quants some one and half month prior to the placements since my motto was never to get rejected in the apti itself. My interactions with the Marketing HOD, Mr. Kshetragna helped me a lot in my GD. And of course my CA knowledge, participation in activities like USHUS helped me a lot in my GD.

5. What will you miss the most about CUIM?
I will miss Christ Library. This doesn’t mean that I am nerd but it is the best library I have seen, in fact I would like to request the director to provide opportunity for the ex-students to use the library.

6. Which is your most memorable moment in these 2 years?
My most memorable moment has to be the national quiz of quest club. It was first of its kind in CUIM and therefore that was the most memorable moment. Also, when Father said that he wants to make it an annual event like USHUS and pioneer, it was very proud moment for me.

7. What advice would you like to give your juniors?
There is a lot of opportunities provided to explore your talents, hone your skills, hence make use of all these opportunities. Don’t wait for opportunities to come to you, be proactive and create opportunities.

8. How would you like your juniors and lecturers to remember you?
I would like them to remember me for my contribution to the quiz. I would love to come back for more of such events.

I would like to wish all the best to HT team, you are doing something unique keep it up!!