



Preparing for an Era of Transparency & Communication

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A close-up photograph of a hand holding a white pen, writing a red checkmark in a square box on a checklist. The checklist consists of several square boxes arranged in a diagonal line. Some boxes already have red checkmarks. The background is a light, neutral color.

10 Takeaways from our regular interaction with Developers

01

Developers are doing everything they can to win buyers **trust**



02

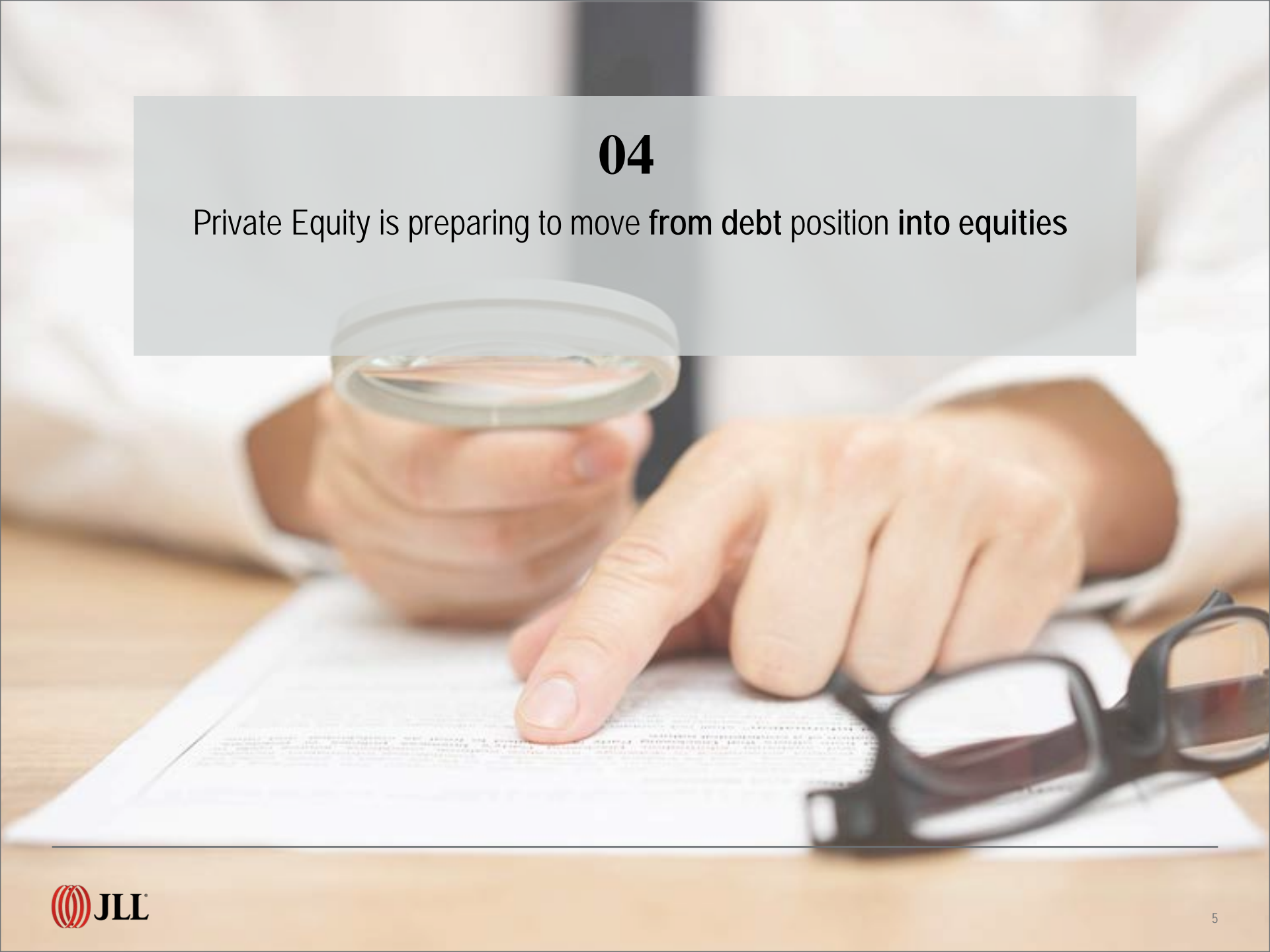
Most projects are currently at **minimal profit** margins without accounting for NBFC financing cost

03

Most delays are because of reasons that **developers cannot control** esp. the **regulatory/ permission** aspects of development.

04

Private Equity is preparing to move from debt position into equities



A man in a dark suit and tie is walking from left to right across the center of the frame. The background is a light blue-grey wall covered with numerous black arrows of varying sizes and orientations, pointing in all directions. The floor is a dark, textured surface.

05

Contradiction of sorts when buyers want to see **price appreciation** in the project after their purchase,

but at time of purchase, buyers believe that **prices are too high** for being sustainable

06

It is **infrastructure inadequacy** along with **high land prices** which is making it difficult to fulfil developers' dream of providing **affordable housing**.

The Government needs to intervene.





07

A few black sheep have spoiled the entire community's reputation



08

There are black sheep among buyers too!

Defaults by buyers on subventions schemes witnessed after apartment are ready for delivery



09

Developers are subjected to
Work-Life Imbalance

C H A N G E



10

Developers don't wish their next generation to get into their business



Finally, developer consolidation is **inevitable!**

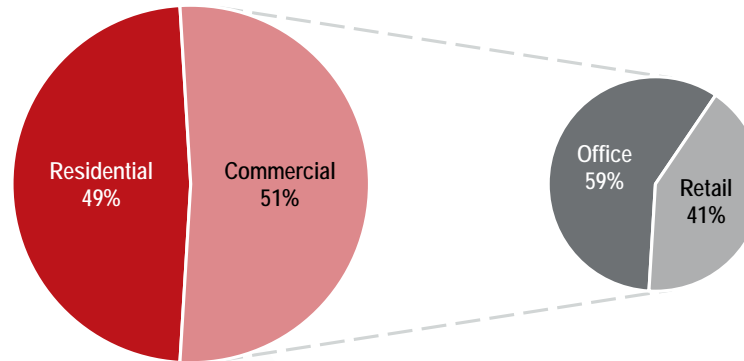


Value of Real Estate under Construction



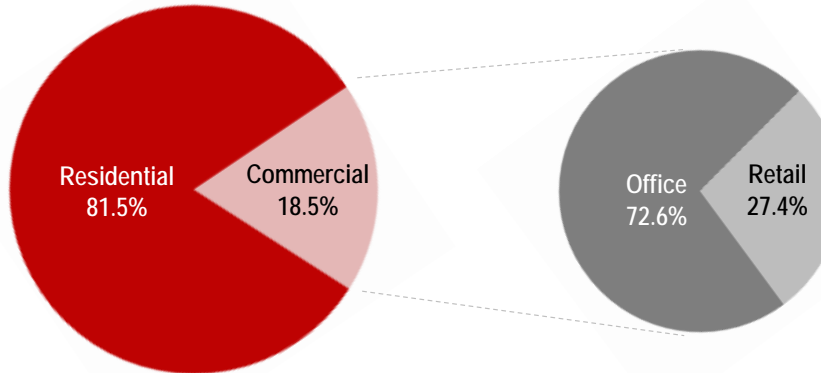
Drop in construction activity; sign of a shrinking sector?

Dec. 2009



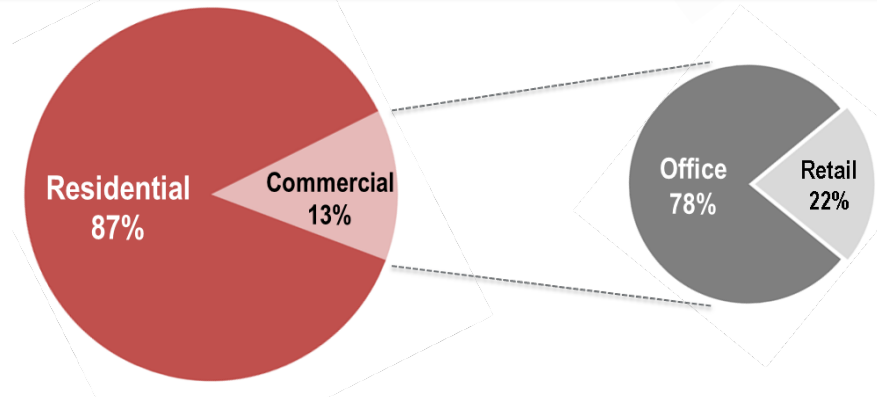
Value of U/C
Real Estate:
**INR 6.3
Lakh Cr**

June 2015



Value of U/C
Real Estate:
**INR 17.8
Lakh Cr**

June 2016



Value of U/C
Real Estate:
**INR 15.6
Lakh Cr**

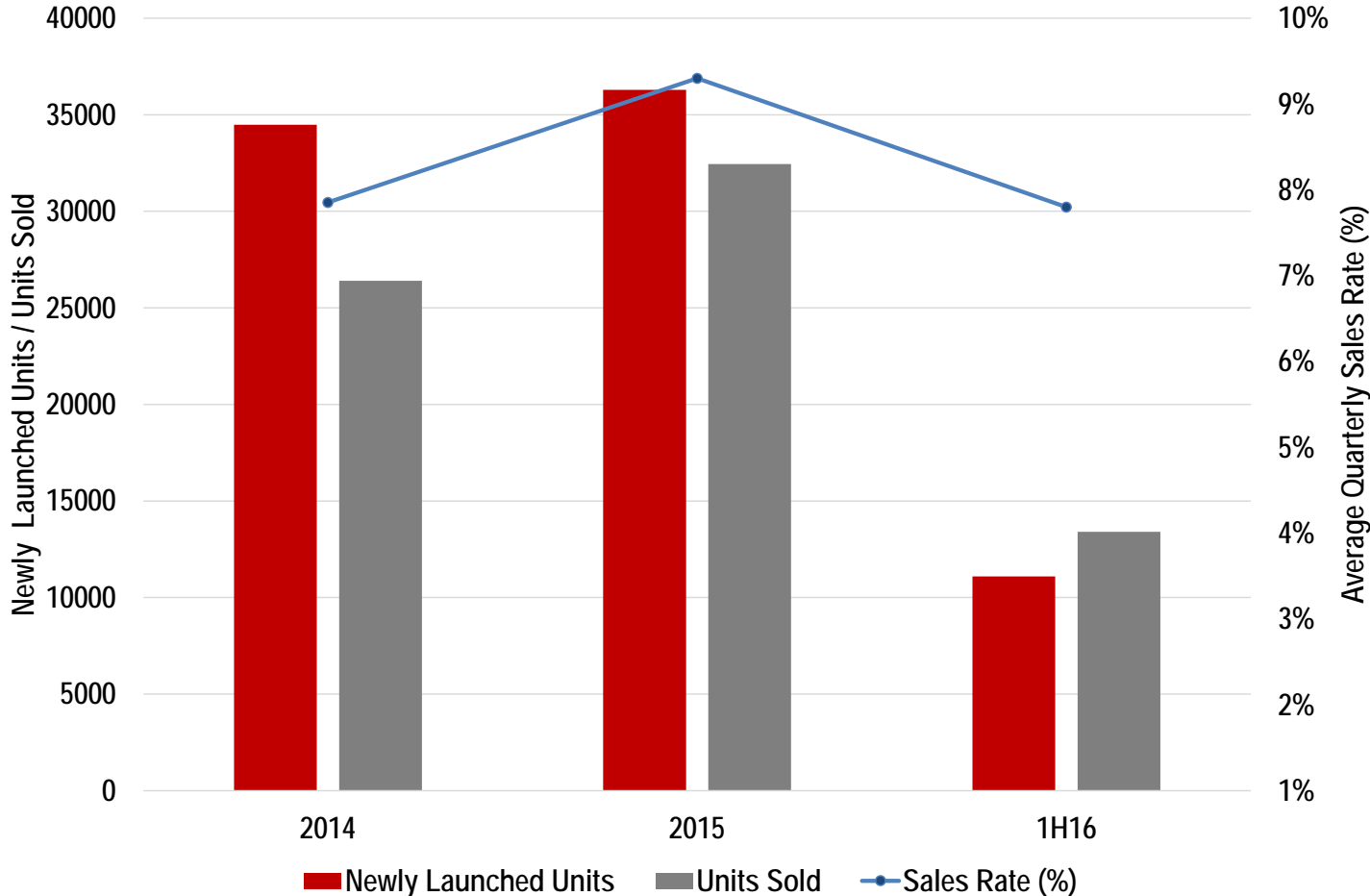


Residential Market Trends: Mumbai, Thane, Navi Mumbai



Supply-Demand Dynamics

Recovery in sales last year lost momentum again; To match sales of last year, July-Dec 2016 period has to see **1.4X** sales of Jan-June 2016 period



Age & Price-category wise share of Unsold Inventory: MMR

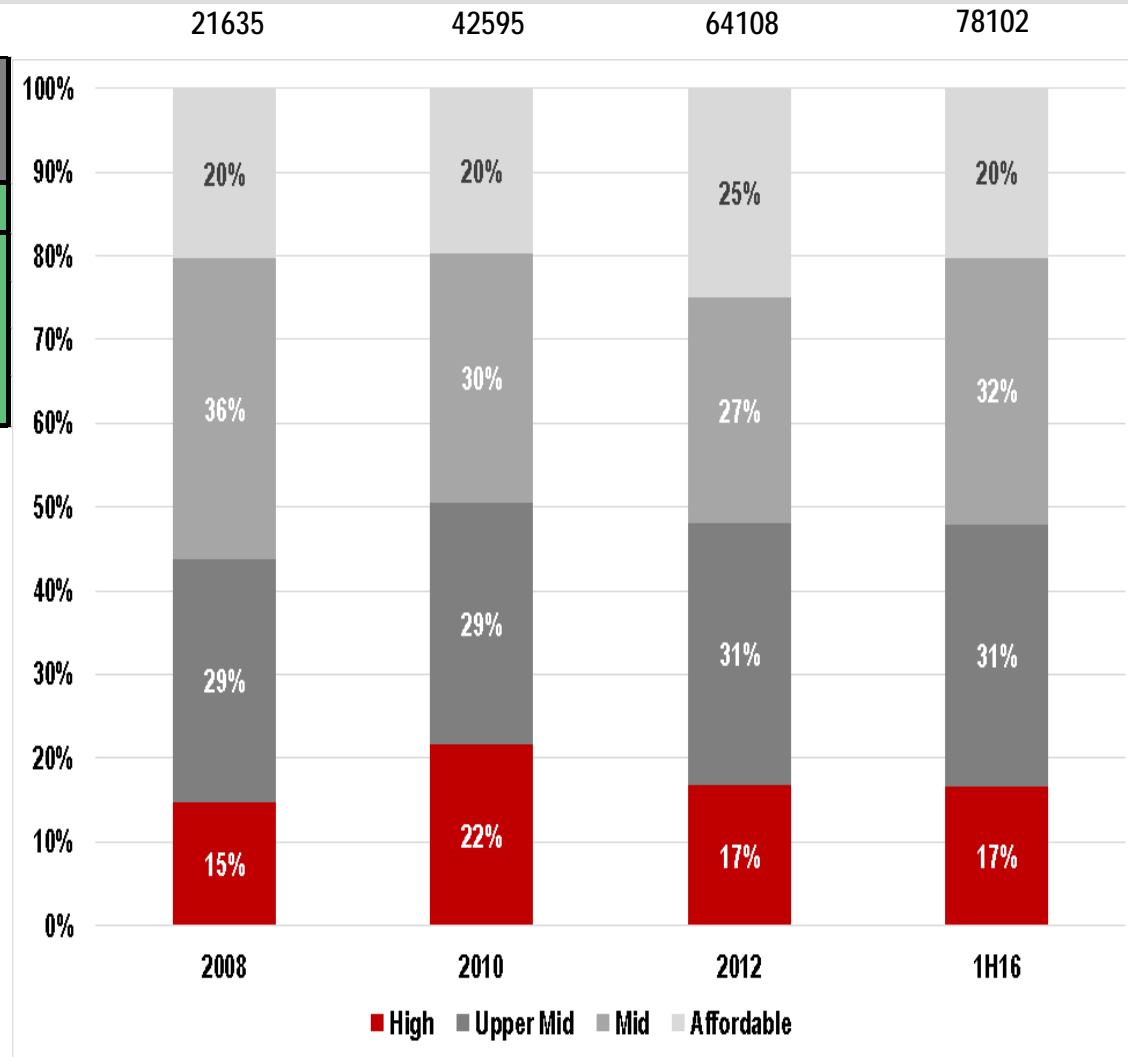
Laudable performance by the developers in disposing the older units of unsold inventory

Age of Unsold Inventory (Months)	2012	2014	1H16
Overall Mumbai	81	58	42
Affordable	74	56	44
Mid	79	56	38
Upper Mid	82	58	42
High	92	67	48

36 months unsold inventory is an equilibrium for the MMR residential market

95.5% unsold inventory is in the under construction stage

No major change in proportion of unsold inventory under construction as per ticket size; but the quantum has increased by 3.5X in 8 years



Unsold inventory comprises of completed as well as under construction units

Source: Real Estate Intelligence Service (JLL), 2Q16

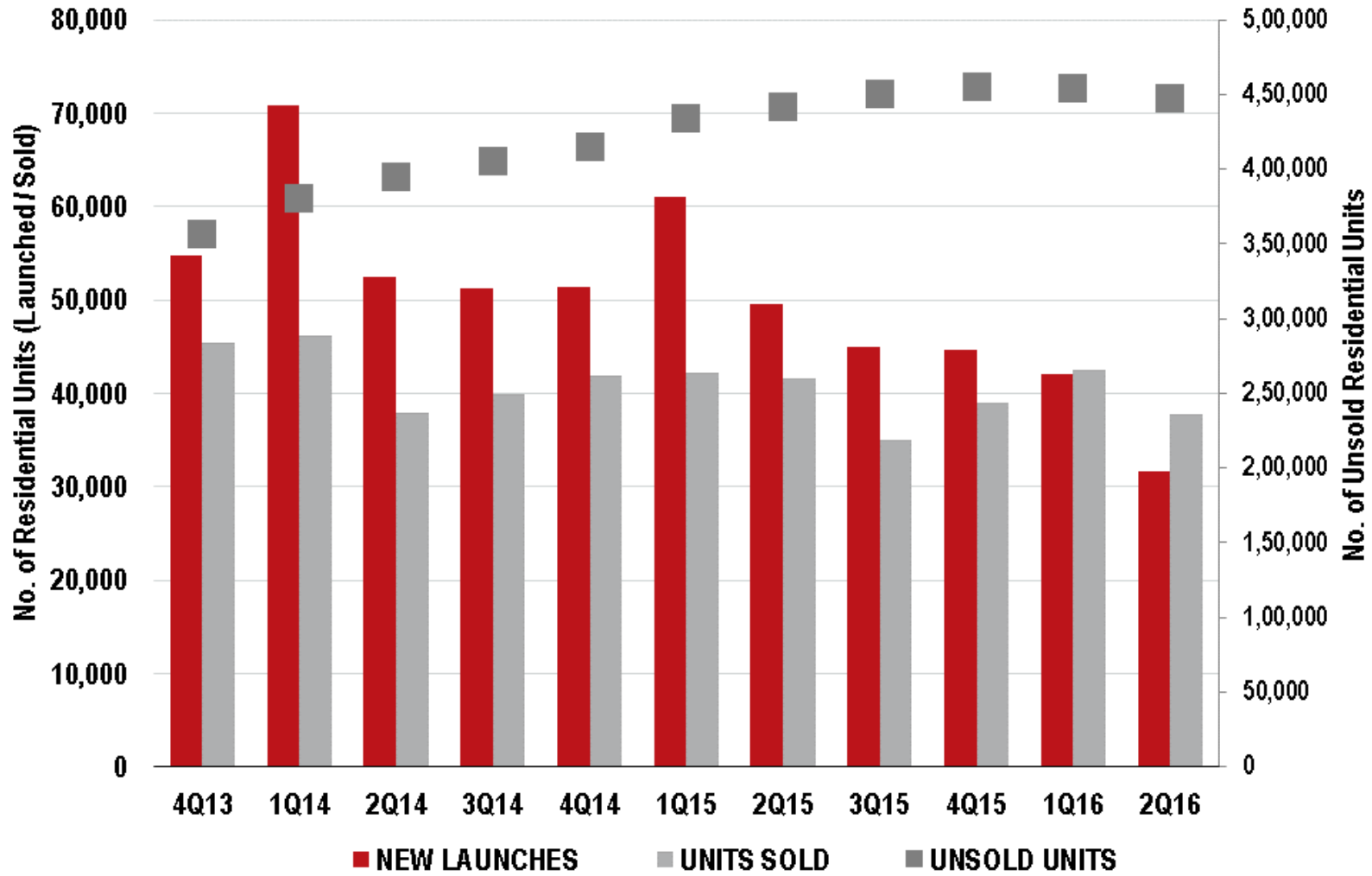


Residential Market Trends INDIA



India Residential: Supply-Demand Dynamics

A bigger drop in launched units versus a smaller drop in units sold has led to decline in unsold units in under construction projects; But are we looking at a shrinking playing field going forward?



Source: Real Estate Intelligence Service (JLL), 2Q16

Note: Figures represent the top seven cities of India – Mumbai, NCR-Delhi, Bangalore, Chennai, Pune, Hyderabad and Kolkata.

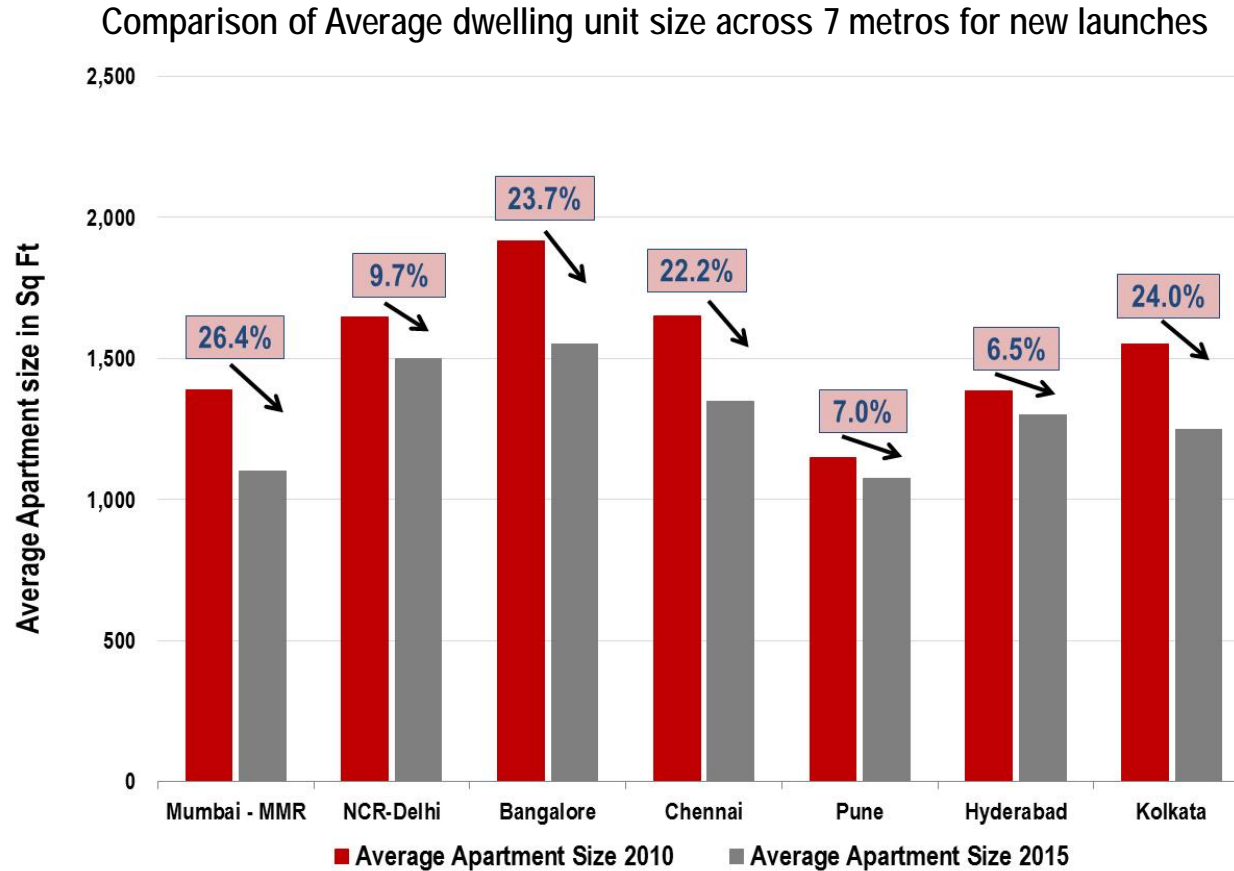


Price & Sales: Fast & Furious v/s Slow & Steady

Source: REIS, JLL 2Q16	Capital Value Index (from Peak of 3Q08)	Capital Value Index (from Trough of 2Q09)	Current Unsold Units	Completed as well as under construction units
City	2Q16	2Q16	2Q16	
NCR-Delhi	112	136	1,68,134	
Gurgaon	128	166	28,515	
Noida and Greater Noida	106	131	97,530	
Mumbai City	149	194	43,195	Sharp price rise- stagnant sales
Thane	139	200	8,547	
Navi Mumbai	159	204	26,360	
Bangalore	140	161	79,538	Low price rise- steady sales
Chennai	136	159	44,541	
Hyderabad	119	140	17,277	
Kolkata	153	185	27,425	
Pune	167	199	32,678	

The affordability issue: Developers' response

Developers responded to market realities of low affordability by cutting dwelling unit size
Buyers feel current size of units barely adequate; any further reduction in size will be counter-productive



Source: REIS: 3Q 2015

India Residential: Observations

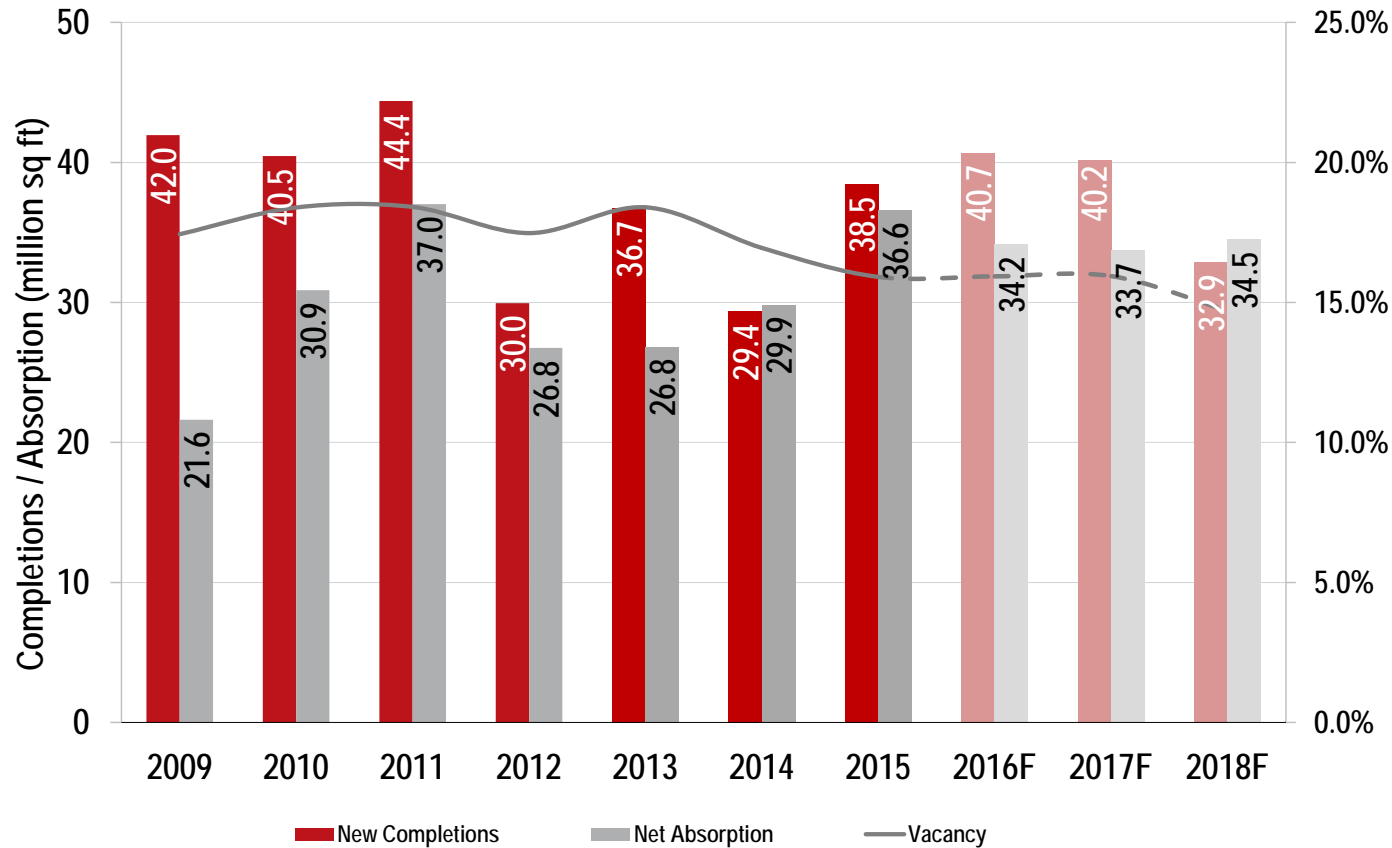
- NCR's share in new launches has plummeted from **44% to 5%** over last 4 quarters while Mumbai's share has seen fluctuation hovering between **12% & 24%** over last 6 quarters
- The difference in share of sales among top 4 metros has reduced to **3%-18%** in last 4 quarters from its earlier range of **16%- 32%** in 2014-15
- Consolidation of projects is happening increasingly more and **JVs and JDs** are here to stay for a few more quarters
- **Discount of 7% or more** (than micro market price) in new launches have seen good sales, smaller discounts have not brought back enough buyers



Office Market Trends INDIA

India Office: Supply – Demand Dynamics

Upbeat occupier sentiment and healthy completions are the key factors driving the steady absorption projected for 2016-18



Source: Real Estate Intelligence Service (JLL), 2Q16

India Office: JLL-REIS Rental Value Index

REIS 2016	RENTS DECLINING		DECLINE SLOWING	RENTS RECOVERING					Rental Value Index
	2008	2009	2010	2011	2012	2013	2014	2015	2Q16
Bangalore	-0.9%	-17.7%	3.3%	10.8%	5.3%	-0.6%	0.8%	6.8%	115.7
Mumbai City	-3.6%	-34.3%	0.8%	1.1%	0.8%	0.5%	0.2%	-1.6%	61.6
Delhi City	-3.8%	-41.6%	2.2%	3.2%	1.3%	0.0%	0.0%	0.5%	59.1
Mumbai Suburbs	-7.0%	-34.3%	0.0%	7.4%	1.1%	2.1%	0.6%	3.0%	76.3
Gurgaon (Prime)	1.6%	-31.1%	2.8%	11.8%	5.7%	5.0%	1.0%	2.8%	87.1
Gurgaon (Off Prime)	-15.0%	-38.2%	-2.4%	9.8%	4.4%	2.1%	0.7%	0.0%	71.1
Noida	-3.2%	-16.6%	-9.0%	3.3%	2.7%	3.6%	0.2%	4.3%	79.8
Chennai	-0.6%	-22.4%	0.0%	6.4%	4.9%	4.4%	0.6%	3.5%	96.9
Pune	-5.1%	-20.7%	0.0%	3.4%	7.3%	6.8%	1.8%	10.6%	97.3
Hyderabad	3.1%	-14.0%	0.0%	4.1%	5.1%	1.1%	1.1%	4.6%	92.8
Kolkata	9.3%	-27.4%	0.0%	5.7%	8.2%	-0.3%	-0.5%	3.4%	77.5

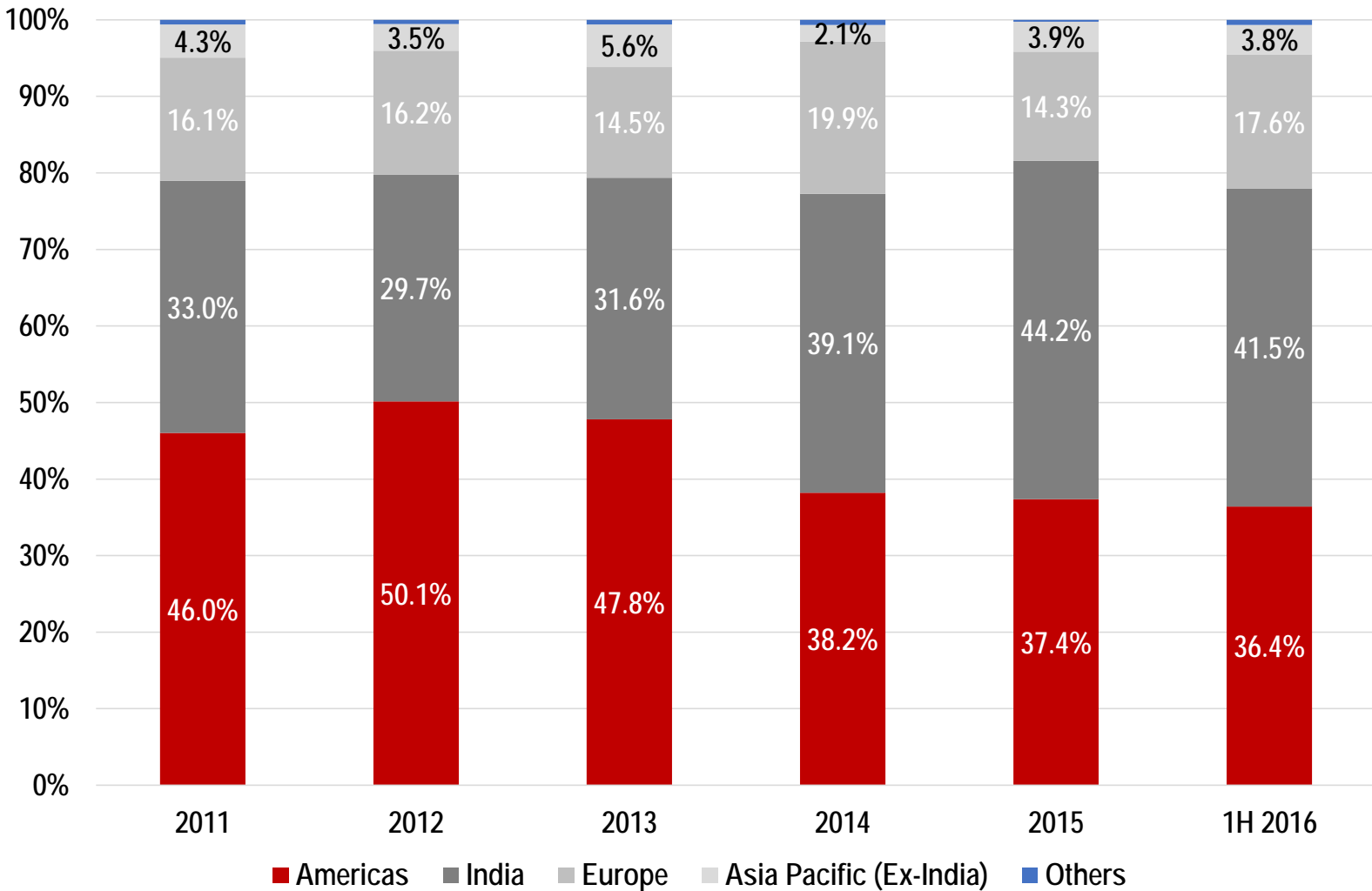
Note: Mumbai City includes CBD, SBD Central, SBD BKC and SBD North. Mumbai Suburbs includes Eastern and Western Suburbs. Delhi City includes CBD and SBD of Delhi.



Source: Real Estate Intelligence Service (JLL), 2Q16

Base for indexing – Rental levels of 3Q08

India Office: Country of Origin



Source: Real Estate Intelligence Service (JLL), 2016

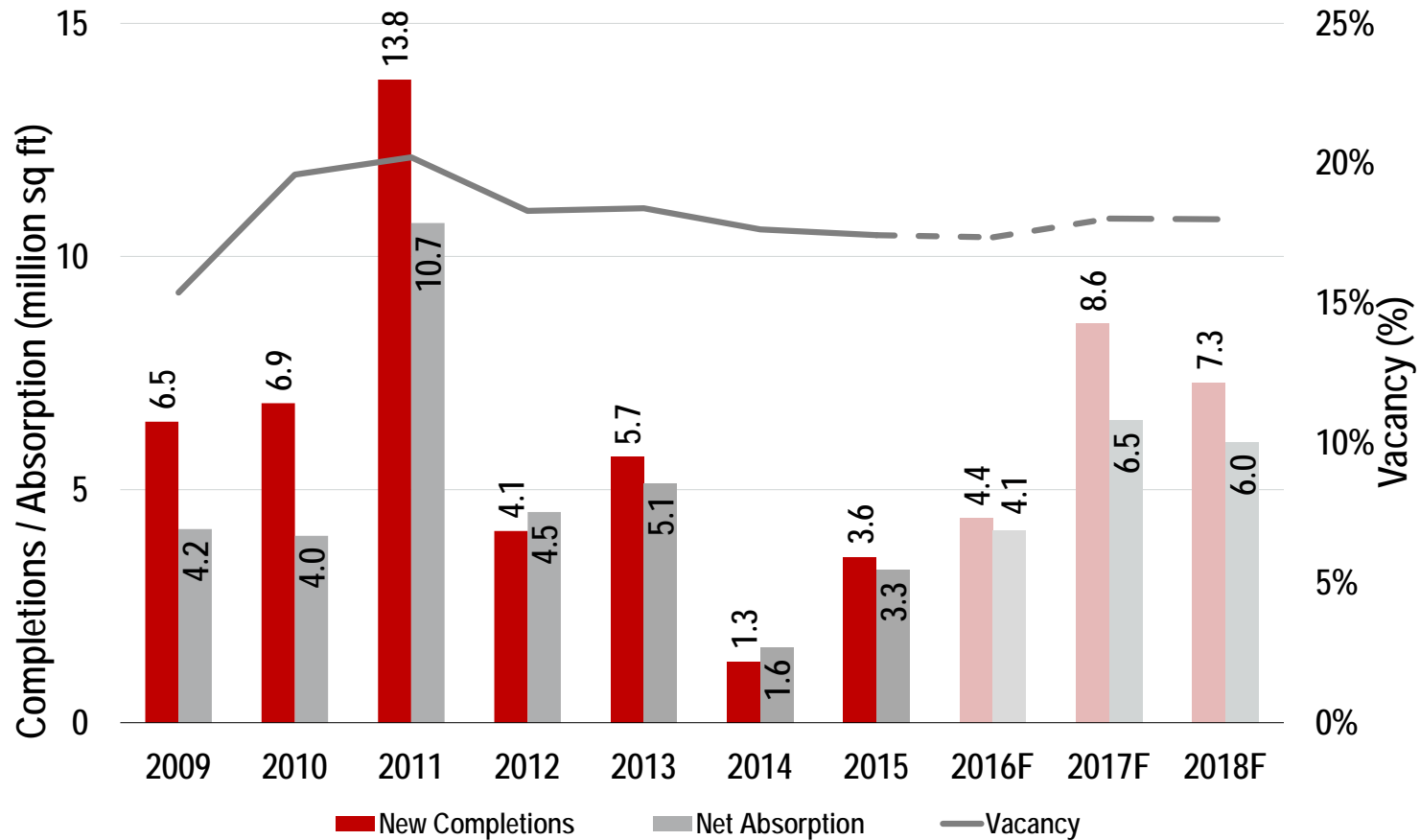


Retail Market Trends INDIA



India Retail: Supply – Demand Dynamics

Absorption of space is influenced by quantity & quality of supply; robust demand gets diverted to High-streets in absence of availability of quality space in superior malls



India Retail: Supply – Demand Dynamics

Polarization of Malls – Opportunity to upgrade to Superior Grade by correcting the mistakes made previously

	Vacancy in operational malls			
	Superior Grade	Average Grade	Poor Grade	Overall
NCR Delhi	5%	9%	67%	24%
Mumbai	1%	22%	42%	23%
Bangalore	4%	16%	17%	10%
Chennai	11%	16%	38%	12%
Pune	7%	21%	44%	21%
Hyderabad	8%	16%	45%	12%
Kolkata	14%	45%	47%	15%
India	8%	16%	43%	19%

India Retail: Harder business than perceived

Down from a Sizable Number, a Handful of Developers Taking up Retail

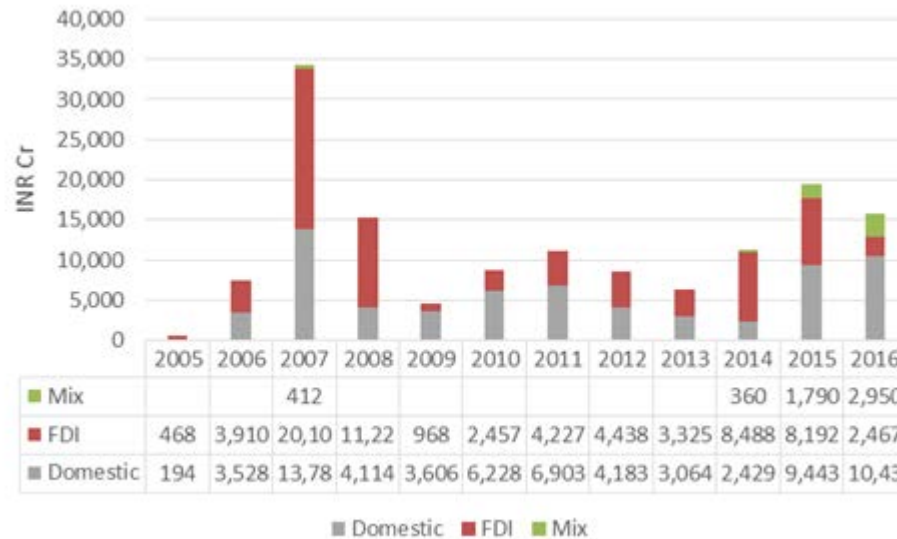
Only 6 developers consistently delivered across the 3 phases.





Investment Landscape: Private Equity in Real Estate

Private Equity Real Estate Investments in India



Total FDI + Domestic+ Mix: INR 1.95 Lakh Crore

Total FDI: INR 1.0 Lakh Crore

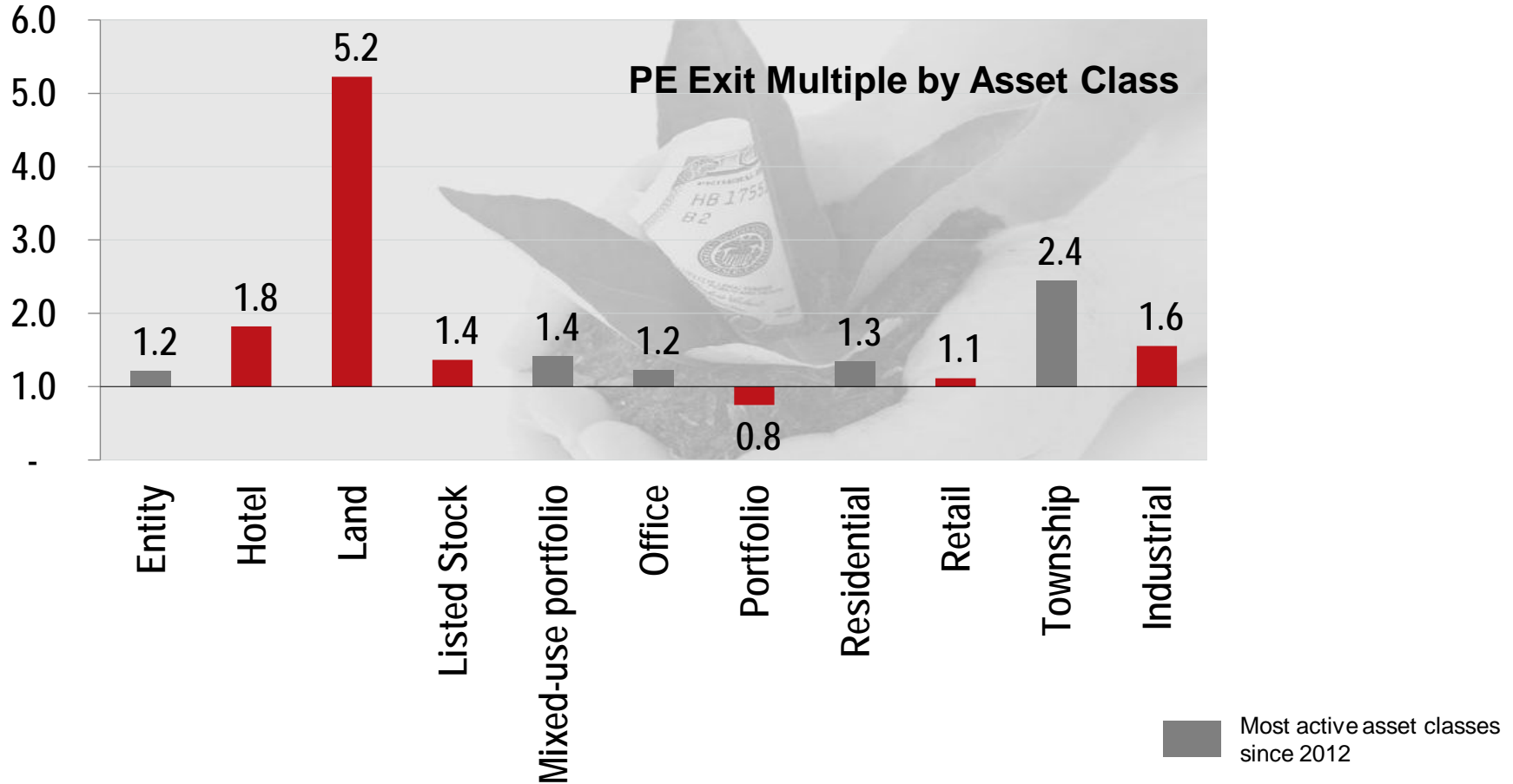
Total Domestic: INR 0.9 Lakh Crore

Total Mix: INR 0.05 Lakh Crore

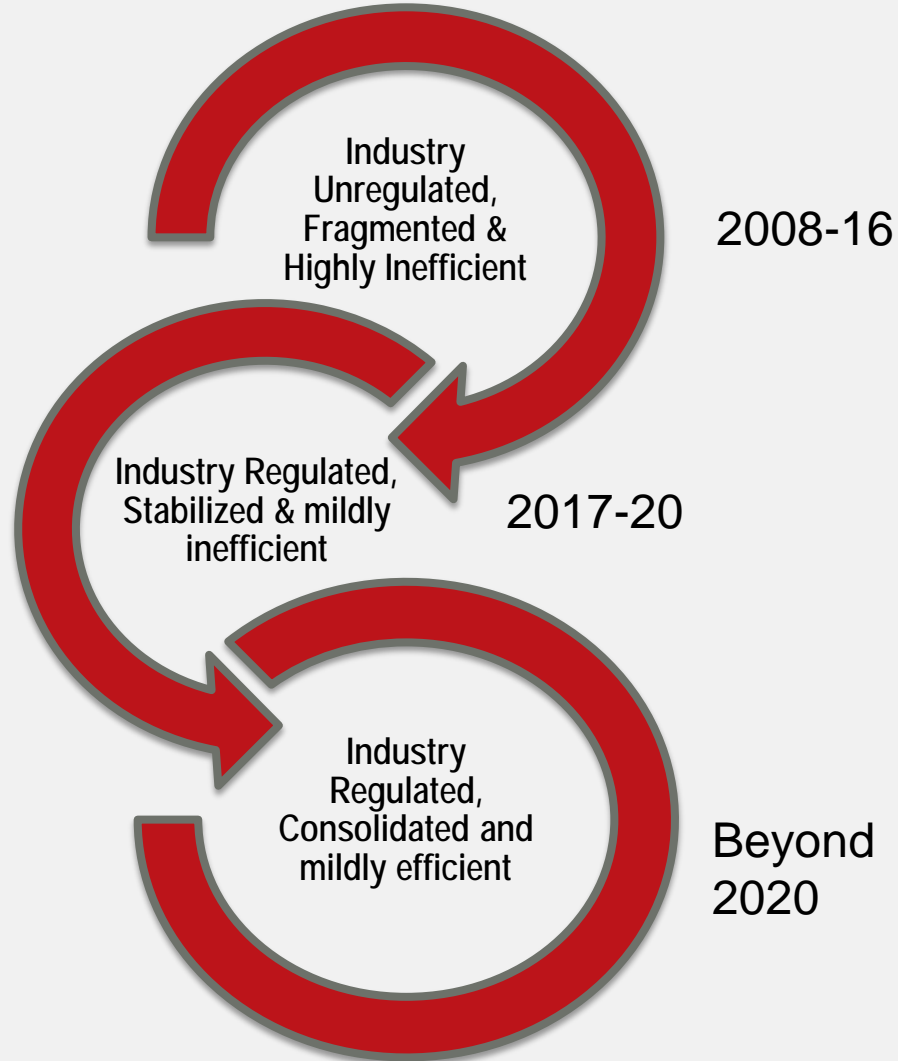
- Investment sentiments have improved post 2014
- Investments in first six months of 2016 are about 66% of that in CY 2015
- Retail has comeback to focus with ~INR 2,680 Crore investment in 2016

Private Equity Exits of Investments in India

India has witnessed **USD 4.2 bn of investment exits** at **1.47x** returns from the RE sector in **last 6 years** of which **USD 1.7 bn** happened in since **2012**



The Era of Transparency & Communication has begun



- Regulator in place → Increased market transparency
- Reforms → Will reduce inefficiencies from the industry
- New breed of developers (Innovative marketing strategies, innovative finance schemes, Omni-channel sales, and niche category developers)
- Industry consolidation → Marginal players will be unable to cope with regulations, raise finance, bring-in efficiency

An Era of Professionalism: JLL's Contribution

JLL is cognizant of the **current lack of sufficiently skilled and employment ready talent** for Real Estate industry esp. in RE Sales, Broking and Capital syndication / corporate finance fields
As a key stakeholder, **JLL has collaborated actively** with Mukesh Patel School of Technology Management & Engineering – NMIMS in **developing the overall syllabus** for the **MBA (Tech) programme with specialization in Real Estate**

JLL actively engaged with the college and the Board of Studies to **identify relevant RE subjects** for the years 4 & 5 of the course – both compulsory as well as electives courses for the RE specialization.

JLL is also helping the Board of Studies to **develop the detailed syllabus** including topics across each lecture for such RE related subjects.

JLL is also providing relevant subject experts from its own roster to **deliver identified course lectures.**



Thank you