

LANDSCAPE

Realty News and Views from Arora & Associates

From the Editor's Desk

Dislocation of global credit market unleashed the monsters of great recession in December 2007 - the most synchronized economic meltdown since the Great Depression. 15 months have passed, and trend is still pointing downwards despite various government stimulus packages. For the economists, this phase is no longer a recession as most are now calling it a 'Depression'.



Most of the Real Estate companies are suffering due to high debt-to-equity ratio and poor cash flows. The investors have become more risk averse as a result of erosion of the market confidence leading to a dearth of Real Estate investment sales. On a year-on-year (YoY) basis, the December 2008 quarter was the first time when the sector reported a huge negative sales growth. A 57% decline in sales cuts a very sorry figure when compared to the 277% YoY growth in the same quarter of last year. Furthermore, affordability continues to be a cause of concern.

Property prices, despite having fallen roughly 20% from their peak back in the second quarter of 2007, still remain overvalued based on long-term historical measures such as price-to-income, price-to-rent and price-to-economic growth. Hence, prices need to fall by up to 15-30% in some areas for affordability and demand to catch up. The developers have also realized that now the potential lies in the affordable housing segment. A lot of developers like DLF, Unitech, Parsvnath and Omaxe who did not have a presence in this segment have changed their strategies to focus on the same.

Also, as a result of the reduction in home loan interest rates as well as the risk weights on commercial real estate, and the liberalization of investment norms for NRI - there has been a definite increase in inquiries. This interest still needs to translate into sales but transactions ought to pick up in the coming Qs. Favourable demographics, low mortgage penetration among lower and middle income groups, faster growth compared to developed economies, gradual but consistent liberalisation reforms, a high rate of consumer and private sector savings - all speak for strong property demand, and will prevent property down-turn from being protracted in the long-term even if the credit crisis and the US led global slowdown sour the real estate market in 2008-2010.

Rajesh Arora
Vice-Chairman, Arora & Associates Realty Ltd

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Another accolade for our Chairman

Mr K J Arora, Chairman, Arora and Associates Realty Ltd., receiving the *Lifetime Achievement Award 2008* from Honourable Mayor of Delhi, Ms Aarti Mehra.

Metro Market Update

Mumbai and Delhi, India's leading commercial property markets are unlikely to see any major increase in supply of space in the next couple of years, as developers either abandon or delay projects due to current market conditions.

Out of 212 million square feet grade-A office space planned in Delhi, Mumbai, Bangalore, Kolkata, Pune and Chennai, it is predicted that only 88 million square feet is likely to be completed by 2010.

In Delhi a total of 67 million square feet of new supply of office space has been scheduled to hit the market by the end of 2010. But, industry analysts are now predicting that only 27.3 million square feet of this is likely to come by 2010.

The demand-supply scenario in these cities would remain under pressure, and average absorption across these six cities is also set to reach its lowest point, as it will fall by nearly 60% during the next one year or so.

Developers will be forced to cut back new construction plans significantly given the low demand for office space due to overall slowdown of the economy.

IMPORTANT ANNOUNCEMENT

In continuation to our regular efforts to bring value-added services for our esteemed clients we have invited experts from **GVA Grimley Ltd.**, UK. Senior executives from their head office in London will be visiting **Arora and Associates Realty Ltd.** You can avail their professional services for golden opportunities and advice on lease rentals of your existing offices. You can also avail their services in case you want to set up a new office in London or any other part of Europe. To know further details about GVA Grimley Limited you can visit their web site at www.gvaworldwide.com.

Right Time to Invest in Real Estate!

Today no discussion is complete without a mention of the great recession, the worst since 1940, that has gripped the world. A lot of us anticipated some kind of correction but the extent of the fall has taken the wisest of us by surprise. The question on everybody's mind is - **Is it a good time to invest in real estate?**

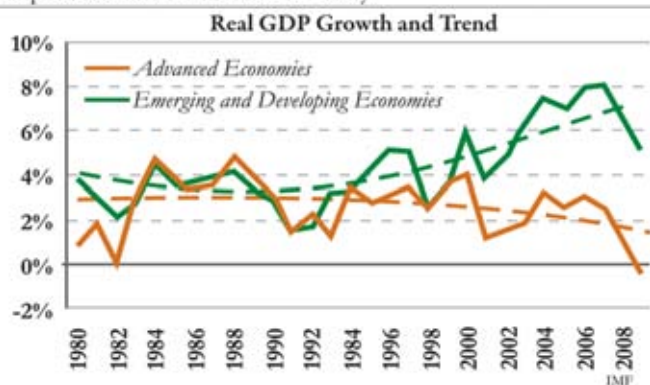
Common sense says investment during a slump - when prices are tumbling - can lead to profits over a period of time. Still, most potential real estate buyers are currently shying away from the market in spite of corrections, expecting prices to fall further.

If you want to wait for the cycle to bottom out and buy at the lowest point, it could mean significant opportunity loss especially in case of real estate where the trend reversal would mean enormous increase in prices and the cycle is long term. A prudent investor will act on either side of the bottom. So, if you want to buy a new home to live in and can afford it, go ahead and just buy - whether the market is up or down. Base your investment on sound strategy, real numbers and fundamentals rather than perfect timing and speculation.

All said, property is the best overall investment. There are many tax and financial advantages to owning a house and most properties appreciate over the longer term (real estate as an investment needs to be looked at with a 5 year perspective). If you heed expert advice, now is as good a time as any to invest in real estate. More so because:

- With the stock-market in free fall and commodity prices volatile, property has emerged as the best asset-class for investment. Real estate still remains a prized possession.
- The real estate segment is in doldrums the world over. Realty has seen a steep drop in prices and this has sent the world economy into a tizzy. Since 1997, prices had increased by about 90%. There is no economic fundamental - real income, migration, interest rates, demographics - that can explain this. This means that there was a speculative rise in prices and over valuation of properties but that is not the case now. The market is again where it was in 2003-2004.
- The supply glut, and the fact that investors and private equity firms are largely out of the realty market, signals good times for buyers.

Sharp Deceleration in Global Economy



- Government is putting pressure on the real estate sector to reduce property prices. Prices in several micro-markets have already moved southward, in some cases a whopping 40% from their peak.
- The Reserve Bank of India in recent weeks, has announced concessions on the interest charged on home loans below Rs 20 lakh and repayment terms have been made easier for developers who had borrowed from banks. This will translate into lower borrowing cost.
- Most developers are offering discounts and affordable housing. Developers are also lowering prices by scrapping extra amenities like swimming pools and clubs.
- While prices are down, promotions are up. Real estate developers are offering cars, gold coins and other freebies as well as other premium benefits on bookings. If you need a value deal, they need liquidity.
- Options abound in the secondary market as well. There is no dearth of people who want to sell their house to overcome recession blues.

- Further, post-elections there might be stability in the market and prices might not drop any further.

- Price, however, should not be the only determining factor as it needs to be reasonable and feasible enough for the developer too.

Buyers will have the upper hand in the market in 2009 and landlords will have to revise their priorities. However, as the economic recovery gains traction, the supply demand imbalance will once again tip in the favour of landlords, who will be in an enviable position given the long lead time to create new realty supply. All in all, this means that the potential of immense growth in realty is here. The time seems ripe for prompt action. Chances are strong that you will get your favourite property with ease and at a highly affordable price. Waiting might get you a lower price but only for properties that are not so strategic.

So, start looking for your dream property today itself. Happy Shopping!

Tips to buying property

Buying a property is perhaps the single biggest investment made by a person during his lifetime. Needless to say, one needs to be very careful while investing in property, be it a house for your own use or any commercial or residential property for investment purposes.

So, don't get carried away with low cost properties. Do a thorough property research and take the time to make an informed decision before taking the plunge and making the buying decision. Create a solid plan that covers all the necessary components of ownership:

Evaluate your finances: Take a good look at your financial situation before hand. Decide upon the loan payout you can support and keep a buffer amount to it; more so now. While up front prices may be low, the month-to-month costs of property ownership can add up to quite a bit. Income, credit rating and current monthly expenses should all be taken into account when determining how much can be spent.

Research for the right property: Once you have worked out your budget it is time to go shopping. Real estate has many facets: one can buy a property to stay in or from a mere investment perspective. The first step, therefore, should be to understand the purchase objective. In case you are looking at it as an investment you should consider aspects like cost, location, condition, rental value, etc. Remember, investment property should generate an income that is more than what it costs to own and maintain. Next, you need to list various features and amenities that you want before embarking on your search.

Research for the right price: After evaluating the right property the next step is to evaluate the right price. People talk about a huge drop in prices but in order to evaluate the price you have to add the construction cost to the land cost and the interest cost.

Research loans: The majority of buyers require some type of loan to cover the purchase of a property. You should shop around for the best deal by comparing interest rates as there is, normally, a difference in lending rates across lending organisations. You stand better chances of negotiations with them if you are aware of different rates on offer.

Even after all this, you still need to go through a formidable maze of tedious legalities and seemingly endless paperwork.

It is a good idea, therefore, to know what documents need to be checked before buying a property.

Documents to be verified while buying a flat from a builder in a building under construction

- a. Approved plan of the building along with the number of floors. Ensure that the floor that you are buying is approved
- b. Applicable building bye-laws to ensure that the builder is building without any violation of front setback, side setbacks, height, etc.
- c. The reputation of the builder
- d. Urban land ceiling NOC, if applicable
- e. NOC from water and electricity authorities.

Apart from these documents you should also ask for:

- Allotment letter that contains details regarding the agreed price, payment and construction schedule, house plans, delivery date and builder's liability in case of late completion or problems after possession. It is issued to the buyer upon payment of the 15% of the property value to the developer
- Development agreement between the builder and the landowner containing details regarding the terms and conditions on which the landowner has permitted development of his property.

Also, don't forget to check the specifications given in the agreement to sell or the sale brochure.

Lastly, take the help of a lawyer to verify the authenticity of the various documents submitted by the seller of the house, particularly with regard to the possibility that the house has not been sold earlier to a third party.

Hot Properties - Commercial

Jasola. A spacious and luxurious office complex, strategically located in the heart of the business hub, **Omoxe Citadel** has a total built-up area of 1, 80,000 sq ft. It offers 5,000 sq ft to 90,000 sq ft of



independent commercial tower with car parking for over 200 cars. With price correction of over 50% and with Metro starting in next six months, this is the right time to buy or lease office space.

Spazedge by Spaze Group is a self-integrated commercial park spread across 4 acres with built-up area of 3.5 lakh sq ft. With its

coveted location, futuristic design, state-of-the-art facilities and relaxed environment, Spazedge offers value for money and excellent ROI. It is ornamented with lush green



landscapes gardens and water bodies. Located on the Sohna-Gurgaon Highway, it is a picturesque address for any enterprise. 10,000 to 2,00,000 sq ft of independent commercial tower is available here.

Orchid Business Park by Orchid Infrastructure Developers at



Sohna Road, Gurgaon, is one of the best commercial options available in the area. It is built to international standards with modern amenities in suitably planned greens. Total built up area is 321,395 sq ft. Large floor plate size ranging from 41,000 to 71,000 sq ft inspires higher efficiencies. The building is ready for fit-outs.

DLF Cyber Terraces, an integrated Technology Park in DLF Cyber City, offers over approx. 2 million sq ft of workspace spread over 3 interconnected blocks with state-of-the art amenities, futuristic facilities complemented with efficient and inspiring work

environment for new-age professionals. The complex is ideal for software and leading IT/ITES corporate(s). Integrated retail space up to almost 43,000 sq ft is also available here.



Hot Properties - Retail



Ambience Mall Vasant Kunj will give a whole new dimension to the concept of a shopping with a built-up area of 9,00,000 sq ft and car parking for 2500 cars. Located in the heart of South Delhi, on the easily approachable Nelson Mandela Road, this integrated mall will be home to amongst other things, a sports bar, discotheque, a 5-screen multiplex, a food court, and a gaming zone. A 650-acre biodiversity park will surround this architectural wonder, making this a shopper's hot-spot. The mall is ready for fit outs.

Greater Noida Habitat Centre has been developed to cater to the needs of modern urban people. It is suitable for multi-



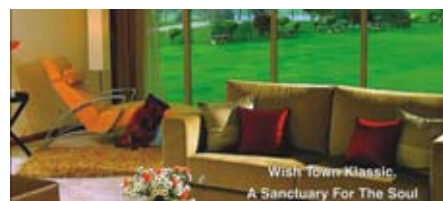
applications like restaurants/food courts/banquets/club/conference venue and social-cultural interactions. It is ideally located on a 2-side open corner plot of 16,000 sqm.

The retail buzz has shifted from malls to the **high street** once again. We at **Arora & Associates Realty Ltd** can facilitate you in your search of that perfect high street property across the premium markets in Delhi NCR be it Connaught Place, Khan Market, South Extension, Greater Kailash, Rajouri Garden, Noida Sector 18, etc. You name it and we have just the right show room for you.



Hot Properties - Residential

Wish Town Klassic is a new gated community at JP Greens, Noida. The first phase spread over 40 acres offers apartment towers nestled in 80% greens on the Noida-Greater Noida Expressway, 20 minutes from south Delhi. A place where all your wishes come to life



be it space, greenery, facilities, or the elegant neighbourhood. You can choose from a range of 2,3 and 4 BHK simplex and duplex apartments starting at

never before prices. Spread over 1,200 acres, Wish Town boasts of all recreational and leisure amenities such as two golf courses, social clubs, health spa, fitness centre, jogging track, kid's play area, shopping complex, etc.

Hot Properties - Residential (continued)

A new landmark in the heart of Delhi from Emaar MGF, a prime location, adjoining Akshardham temple, just minutes away from the central business district - Connaught Place, the **Commonwealth Games Village** is Delhi's only purpose-built, self-contained premium residential community with apartments to match your expectations, aesthetics to suit your attitude and international facilities. It is undoubtedly, one of Delhi's finest concepts in luxury living with approximately 70% greens and open landscapes. It is impossible to get such a masterpiece as home in such a beautiful location at so reasonable a price.



Spread over 5.4 acres, **Uppal's Metro Park** is an upcoming hi-tech and high-end, luxurious township in Dwarka, New Delhi with 2 & 3 bedroom unit apartments. The township will house state-of-the-art gymnasium, health club, swimming pool, restaurant and coffee shop. Strategically located near the Dwarka Metro Station, the township offers premium class lifestyle along with superior quality construction. This is one product that offers optimum value for your hard earned money.



Hot Launches



Patiala: Lease Model. Spread over 14 acres of land with total developed area of over two million sq ft, the **Global Business District** is an ambitious project launched by Spirit Global Construction Ltd.

With a constant foot fall of two lacs per day, 365 days of the year, it is a

District Centre with grandeur of global proportions. This flagship project of the company would bring tremendous changes in lifestyle of people in Patiala.

Arora & Associates has launched **KRS Business Centre** in the heart of capital. Offering 200 sq ft closed cabin office to up to 5000 sq ft of office space, the centre is designed to provide you not only a prestigious address but a wide variety of comprehensive facilities and privileges including but not limited to best instant serviced office solutions, secretarial assistance, call management, mail management, etc. All this, well within your budget.



Induction Point Building is a strategically placed building surrounded by reputed educational institutions like DPS, GD Goenka and Vasant Valley. The building is most suitable for pre-school/play school, educational and institutional college, language training, computer academy, etc., catering to international standards. Built in 800 sq m plot, with the total built-up area of 13,000 sq ft the building boasts of a beautiful terrace garden and a swimming pool for children.



Arora and Associates Infrastructure Ltd has launched a 90,000 sq ft state-of-the-art, **stand-alone building on a 2,100 sq m plot** facing a large park in Gurgaon exclusively for IT/ITES. Small offices on business centre model are also available here. With average floor plate of approximately 13,000 sq ft per floor, the set up also has a restaurant and gym on the terrace floor of 3,400 sq ft and car parking for 100 cars.



Keep watching this space for more!



Arora & Associates Realty Ltd.

Realty consulting that adds value to your assets

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