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HIGHLIGHTS

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- Brigade group to develop prime land parcels in Chennai and Bengaluru
- Singapore's Keppel Land to buy 1msf in Piramal Realty's office project for INR 12bn
- Arvind Smartspaces board approves creation of INR 9bn platform with HDFC Capital Advisors for residential development
- Realty developers offer to reduce homebuyers' loan burden
- Max Estates to scale up its real estate business development portfolio
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- Ashiana Housing 1QFY23 result update; achieved sales value of INR 1.52bn
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LAST REPORT

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We highlight this week's top real estate news:

- Oberoi Realty in talks to acquire 50 acre land in Gurgaon: Mumbai-headquartered Oberoi Realty is set to enter the market in the National Capital Region, and is in the final stages of acquiring a 50 acre land parcel at Gurgaon's Golf Course Road Extension. The land is currently in the possession of a financial institution and Oberoi will have to take over the debt to get its possession. There is an under-construction residential tower on the property, developed by IREO Projects, with some sold units. Several homebuyers had approached the developer to help revive the project. Golf Course Road Extension is becoming a new hub for residential and commercial developments with leading players planning a project in this micro market. While Oberoi is in talks, DLF has also announced a project. Multiple other Category-A developers like M3M, Hines and Mahindra already have projects in the area. In the last few months, the rates have gone up by 20-30%. (Source)

- JM View: This is a 50 acre land parcel at Golf course Extension Road, Gurgaon. Prices have gone up in the Gurgaon region. As per the article, the land value is INR 10bn. If true, it can be a major stock price trigger as the company has been scouting for large land parcels and offers a strong balance sheet and brand name.

- Brigade group to develop prime land parcels in Chennai and Bengaluru: Brigade group recently acquired prime land in Mount Road, Chennai from TVS group. The company plans to develop a mixed use project having 1msf of developmental potential. It signed a joint development in Sarjapur, Bangalore for a 2msf residential project. These two land parcels have a combined potential of INR 40bn of sales over 4-5 years. The acquisition of both these properties in Chennai and Bengaluru are part of their growth strategy as they continue to focus on South India with emphasis on Bengaluru, Chennai and Hyderabad. (Source)

- Singapore's Keppel Land to buy 1msf in Piramal Realty's office project for INR 12bn: Singapore-based diversified conglomerate Keppel Corporation's property arm Keppel Land is set to acquire part of Piramal Realty's commercial development Piramal Agastya Corporate Park in central Mumbai's Kurla locality for more than INR 12bn. This will be among the largest outright commercial real estate transactions so far this year. Keppel Land has already signed the term sheet to acquire nearly 1msf of commercial real estate spread across a total six entire floors in this multi-tenanted tower. The transaction will exclude nearly 0.2msf office space occupied by Piramal enterprises. Piramal Agastya, spread over 16 acres on LBS Marg, is one of the country's largest non-information technology (IT) commercial developments, with a total project size of nearly 2msf. Of the total development, Keppel Land is buying 1msf, which has been completed and substantially leased. Aditya Birla Fashion and Retail, Piramal Enterprises, French sports goods retailer Decathlon, Metropolitan Stock Exchange and Axis Securities are among the key existing office occupiers here. (Source)

- **Arvind Smartspaces board approves creation of INR 9bn platform with HDFC Capital Advisors for residential development:** Arvind SmartSpaces Limited, a part of the Lalbhai group, headquartered in Ahmedabad, one of India's leading Real Estate developers, approved the creation of an INR 9bn residential development Platform with HDFC Capital Advisors as Investment Manager of HDFC Capital Affordable Real Estate Fund – 3 ("HCARE – 3"). The proposed investments from ASL and HCARE-3 will be INR 3bn and INR 6bn respectively in the platform. The funds will be utilised for acquisition of new projects for residential developments in the cities of Ahmedabad, Bangalore, Pune and MMR. ASL will set up a separate SPV to house the projects under this platform. The platform will create overall revenue potential of INR 40-50bn excluding reinvestment potential. (Source)

- **Realty developers offer to reduce homebuyers' loan burden:** Real estate developers have started to undertake mitigating measures to soften the impact of the rising interest rate regime on prospective homebuyers' affordability levels and to support the continuation of robust sales momentum. Record low interest rates in the last two years have helped housing sales reach pre-pandemic levels and in some key markets, touch historic levels. However, the reversal in the interest rate cycle is emerging as a key cause of concern for housing sales. Realty developers including Tata Housing, Lodha Developers, and Runwal Group are stepping in to protect homebuyers and sales from the rising interest rate regime by capping the financial burden of interest on their home loans. Property brokers say that a number of other builders are also planning to give buyers this kind of choice. Tata Housing has offered to cap the housing loan interest rate at 3.5% for a year for homebuyers at 9 of its projects across 7 cities in the country, including Mumbai, Delhi-NCR, Bangalore, Chennai, Kasauli, Goa, and Kochi. The buyer will have to pay only a 3.5% interest rate on the loan, while the company will take care of the balance payment. This offer will be available until September 15. Lodha Group is also locking interest rates at 6.99% till 2024 for its customers, providing a benefit of around 1.5% on the existing home loan rates. Runwal Group has offered its homebuyers at its projects in Kanjurmarg, Mulund, and Dombivali a one-year holiday from the payment of home loan instalments to provide them freedom from worries about EMIs and home loan interest rates. This will be applicable to sales until August 15. The RBI has hiked repo rates by 140 basis points since May, and housing loan rates have already been moved upward by lenders and are currently at around 7.4% after staying at a decadal low of 6.6% for the last nearly two years. (Source)

- **Max Estates to scale up its real estate business development portfolio:** Max Estates set to scale its real estate business development portfolio and is expected to reach 3x of the current size by FY23 as it has acquired two land parcels in Noida for residential development. The company announced that Max Estates' SPV has been confirmed, by Axis Bank, as the successful bidder for two land parcels auctioned by them for a total consideration of INR 2.2bn. Both of these land parcels combined are spread across 4 acres in Sector 129, Noida. These land parcels are contiguous to Max Square, an under-construction office development by Max Estates. The acquisition will enable it to create a 6.6 acres office led mix land use campus. The total development size including Max Square (0.7msf) for this campus will be 1.5-2msf. These new acquisitions and a very strong project pipeline under development are expected to end FY23 with a development portfolio of 6-7msf, which will be 3x the size as of FY22. (Source)

- **Kolte-Patil acquired a new project in Kilwale, Pune with a INR 14bn topline potential:** Kolte-Patil acquired a new project on an outright basis in Kiwale, Pune with INR 14bn topline potential and 2.5msf of saleable area. The transaction entails the acquisition of 85% Equity Shares in Sampada Realities on an immediate basis with the balance 15% stake to be acquired in due course. With this transaction, Kolte-Patil has committed an aggregate total investment of INR 1.2bn to be paid over a period of time. Sampada Realities Private Limited comprises of only one residential real estate project on a 25 acre land parcel at Kiwale in Pune to be developed in a phased manner. This acquisition will help further strengthen Kolte-Patil's market position in Pune, with substantial visibility in Kiwale, a high potential micro market in the city. This acquisition, other than being situated at the strong micro market of west Pune, is a plug and play deal, and is in line with their business development target of INR 70bn for this year. Kiwale is strategically located at the junction of old NH4 Highway, Katraj-Dehu Road, and Mumbai-Pune Expressway, and provides seamless access to Hinjewadi IT Hub, Pune city and the industrial belt of north-western Pune. The real estate industry is witnessing strong growth in this region and is expected to continue the momentum in subsequent years. (Source)

- **Mindspace Business Parks REIT 1QFY23 result update; Portfolio offering comfort on leasing and expiries:** Mindspace REIT reported a steady quarter as leasing momentum improves and expiries are back to pre-Covid levels (c.4-5% of annual gross rentals over the next 3 years). Committed Occupancy increased to 85.6% (84.3% in Mar'22) led by Airoli East (+2% ppt), Airoli West (+1.2%) and Madhapur (+1%) as the REIT witnessed broad based traction and targets to reach c.90% by FY23 end. Actual occupancies stood at 82.1% and are likely to converge with committed occupancies in the coming quarters. On the demand front, traction was being led by large IT / MNC companies earlier and now smaller companies have started showing interest also. Physical occupancies across portfolio have started inching upwards to 35% in May'22 (25% in Mar'22) with Mumbai being higher at c.45-50% and Hyderabad in the range of c.30%. Mindspace remains well placed for remainder of FY23 as rentals start in Commerzone Kharadi (0.7msf; 100% pre-leased) and Airoli West (0.82msf pre-leased; new tower). (Mindspace REIT – Portfolio offering comfort on leasing and expiries)

- **Phoenix Mills 1QFY23 result update; Strong recovery on all parameters; momentum likely to continue:** In 1QFY23, Phoenix Mills reported a revenue of INR 5.74bn (+16% QoQ) while EBITDA came in at INR 3.22bn (+34% QoQ) while PAT is buoyed by exceptional gain. Consolidated EBITDA (like to like excluding Chennai mall stake, Palassio, residential) came in INR 2.6bn (+21% higher than 1QFY20). In the P&L, it has recognised INR 5.56bn of exception items on account of fair valuation of stake in Chennai mall. Earlier it was 50% owned and now it is 100% owned by Phoenix. The quarterly consumption for Phoenix Mills came in at INR 21.90bn for 1QFY23 (111% of 1QFY20 excl. Palassio's contribution, which opened in July 2020; 1QFY23 consumption was 123% of 1QFY20). Specifically for Jul'22, consumption stood at INR 7,920mn indicating a sharp recovery (133% of Jul'19) and momentum has sustained in August as well. Rentals across malls on INR psf / per month basis are 8-31% higher (across malls) compared to pre-Covid levels and Minimum Guarantee (MG) contributed 82-92% of rentals. This indicates Phoenix has been able to get escalations over the Covid period and is now moving back towards MG thereby securing cash flows. Further, 10-22% of the area is up for renewals across malls in FY23 which would result in more Mark to Market opportunities. Retail collections at INR 5,253mn for 1QFY23 compared to INR 4,762mn in 4QFY22. Trading occupancies are currently at 85-91% while leased occupancies are in the range of 92-97%. As more stores get operational rentals are bound to increase in coming quarters. Trading densities have gone up across all malls barring Phoenix Market City, Mumbai. (Source)

- **Prestige Estates 1QFY23 result update - Strong quarter; Warm reception to MMR launches:** Prestige Estates (PEPL) reported another strong quarter backed by traction across launches in Bangalore and MMR as booking values came in at INR 30.12bn (+310% YoY; down 8% QoQ on a very high base). In FY23, PEPL targets bookings of over INR 120bn (Bangalore: INR 80-85bn + MMR: 25-30bn and balance from other cities including Delhi NCR and Hyderabad). Going forward, PEPL has concluded conversations with institutions to create an INR 25bn Alternate Investment Fund (AIF) which allows PEPL to fund land purchases. In the near term, two malls and over 5msf of commercial will get completed taking the annuity income towards INR 6bn over the next 3 years. Net debt increased to INR 39.2bn (0.40x net debt to equity; INR 33.6bn in 4QFY22) but is likely to stay under 0.5x net debt to equity. We continue to like PEPL's aggressive growth across residential and commercial segments coupled with a superior execution track record. We maintain 'BUY' rating with a Mar'23 TP of INR 595 (implying 36% upside). Key risks: delay in construction of annuity assets and inability to execute across MMR geography. (Prestige Estates – Strong quarter; Warm reception to MMR launches)

- **Sobha 1QFY23 result update: Launch heavy quarter; Land monetisation aids debt reduction:** Sobha reported a healthy 1QFY23 with sales volumes of c.1.36msf (highest ever quarterly sales volume) and net operating cash flow of INR 1.58bn (+26% YoY; fell 59% QoQ). Sales were largely driven by 2.02msf of new launches in Bangalore and over FY23 management expects to sustain the sales run-rate with c.2-3msf of additional planned launches. On the cash flows front, given the existing sales velocity, INR 5bn of annual gross surplus can be created half of which would be utilised for business development / growth while the balance would be utilised to reduce debt. As a result, net debt is likely to trend downwards even from these levels. Even in this quarter, net debt reduced by INR 2.27bn (INR 1.32bn reduction on account of monetisation of vintage land parcel). On the contractual business, Sobha is expecting some pickup in the coming quarters and indicated of a INR 5bn order book to be executed over the next 1-1.5 years. (Sobha - Launch heavy quarter; Land monetisation aids debt reduction)

- Kolte-Patil 1QFY23 result update; Reported sales value of INR 4.45bn, up by 79% YoY: Kolte-Patil reported sales value of INR 4.45bn in 1QFY23, up 79% YoY. Mumbai sales value came in at INR 1.16bn during the quarter (+81% YoY). Quarterly Collections stood at INR 4.74bn in 1QFY23 (+70% YoY). Realizations improved by 16% and 13% YoY and QoQ respectively and achieved sales bookings of 0.61msf (+53% YoY) during the quarter. The company expect to deliver 25-30% sales growth by value in FY23. They have a pipeline of projects lined up for launch in the coming months, across Pune, Mumbai and Bengaluru with aggregate saleable area of 8.95msf and topline potential of INR 63bn. Additionally, they remain focused on meeting their INR 70bn business development target for the current financial year. (Source)

- Puravankara 1QFY23 result update – Recorded highest ever first quarter sales of INR 5.13bn: Puravankara recorded its highest ever first quarter sales of INR 5.13bn (+63% YoY; INR 3.14bn in 1QFY22) from on-going projects while area sold stood at 0.69msf (0.42msf in 1QFY22). Achieved PAT of INR 0.35bn, representing an increase of 258% QoQ. As on 30th June 2022, the balance collections from sold units in all launched projects stood at INR 25.5bn. Combined with the unsold receivables from launched projects of INR 43.94bn, the projected operating surplus of INR 40.95bn on the launched portfolio compares favourably against the current outstanding net debt of INR 18.89bn. Net debt to Equity stood at 0.91 at the end of the quarter. (Source)

- Ashiana Housing 1QFY23 result update; achieved sales value of INR 1.52bn: During 1QFY23 Ashiana's value of area booked came in at INR 1.52bn (INR 1.86bn in 4QFY22). Average realization went up to INR 4557psf in 1QFY23 as compared to INR 4093psf in the previous quarter. Area constructed in 1QFY23 stood at 0.39msf versus 0.51msf in 4QFY22 and 0.29msf in 1QFY22. The company acquired an 8.08 acre land parcel in Jaipur, Bhankrota. The total potential saleable area in this parcel is around 0.65msf. There were delays in deliveries by a quarter (vis a vis expected customer handover date) in 8 projects: Nirmay Phase 4, Tarang Phase 3, Anmol Phase 2, Ashiana Amantaran Phase 1 and 2, Ashiana Daksh Phase 1 and 2, and Umang Phase 5. (Source)

- Sunteck Realty 1QFY23 result update; Achieved pre-sales of INR 3.33bn: Sunteck Realty has recorded pre-sales of around INR 3.33bn in 1QFY23, down 34% on a sequential basis and up 89% from a year ago. Sunteck has collected INR 2.85bn during 1QFY23, down 29% sequentially and up 66% from a year ago. Revenue from operations came in at INR 1.44bn (INR 1.56bn in 4QFY22, down by 8% QoQ), EBITDA stood at INR 0.45bn (32% EBITDA margin). The company aim to launch 3.35msf during FY23. (Source)

APPENDIX I

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