

Parel, Lower Parel and Mahalaxmi are facing an oversupply situation in both commercial and residential segments. Developers are now open to negotiation. However, prices in Navi Mumbai, Thane and the peripheral suburbs of central and western Mumbai have been stable. "Peripheral locations in most cities with lower income housing," according to Abhay Kumar, managing director, Griha Pravesh Buildtech, a Navi Mumbai-based developer, "are doing relatively well and will continue to do so in future as well. Many of these locations are getting the desired support from upcoming infrastructure developments."

"Builders have so far sailed through. But in places like Mumbai, NCR and Pune, we may see in coming months some concrete efforts on the part of developers to reduce their inventories. This will be more obvious in case of high-end projects. This may apply also to some of the upper mid segment projects also," says Kumar.

"On the residential front, the rise in interest cost and decline in net profits during 2013 will compel developers to lighten inventory load and deleverage their balance sheets," says Shishir Baijal, CMD, Knight Frank. "Demand, however, is likely to remain subdued over the initial part of 2014, as the market continues to bottom out against the backdrop of a sluggish economy."

To cope up with the slowdown, developers are changing their strategy and initiating multiple measures to ward off the difficult period. Across cities, developers have restrained themselves from launching new

projects and thus are trying to contract the supply. In Mumbai, some 47,488 units were launched during January-September 2013 – a sharp 28 per cent drop from a year ago. The difference is even greater, at 42 per cent and 46 per cent, when compared with the same period in 2011 and 2010, respectively.

Huge potential

According to Sam Chopra, chairman, global property consultant RE/MAX India, "Pressure of substantial unsold inventory and liquidity constraints has forced builders to slowdown new launches in a big way. They are focussing on clearing their existing properties than adding new ones."

Besides, developers are also trying to reposition themselves in the market by realigning their portfolio.

After reducing their exposure to commercial properties in the last two years, now most of the developers are concentrating on mid and affordable housing where the demand continues to be intact. Further, the government is also encouraging affordable housing projects in the wake of the massive shortage.

"As a developer one has to see where the actual demand lies," says Rohit Poddar, managing director, Poddar Developers, Mumbai. "The kind of demand-supply mismatch exists, affordable housing presents huge potential and hence we have decided to focus on this area." Poddar Developers has launched four affordable housing projects, involving more than 20,000 flats in peripheral areas of Mumbai. Enthused



Heading for the big league

The Securities and Exchange Board of India (SEBI) has recently issued draft guidelines to set up real estate investment trusts (REITs). REITs, often listed entities, on one hand present investment avenues for investors and institutions to invest in the real estate

market with much greater liquidity and transparency, and on the other hand help developers get an opportunity to monetise their revenue-generating assets. The introduction of REITs in the long term would propel the sector, spurring capital inflows and

bringing institutional credibility. SEBI's move to put in place a framework for REITs will go a long way in reviving substantial interest among domestic and global investors in India's currently subdued real estate market as it moves towards a more organised set-up. Global

investors who are risk or development averse in the Indian condition may find leased assets with least risk and better exits through REITs.

The SEBI draft regulations envisage REITs as a trust, set up under the provisions of the Indian Trusts Act 1882, even as it will not be allowed to launch any schemes. A REIT will have trustees, sponsors, managers