

CREDAI-MCHI Webinar : Key to the Lockdown – Episode 3

Details:

Date – 8th April 2020, Wednesday

Topic: Understanding COVID -19's impact on the Real Estate Sector

Time: 11 AM

Venue: Zoom Video Meeting

Speakers:

1. Mr. Anuj Puri,
Chairman- ANAROCK Group
2. Mr. Shobhit Agarwal,
MD & CEO, ANAROCK Group
3. Mr. Prashant Thakur,
Head of Research- ANAROCK Group

Key Take Aways

Key Points take Away of Webinar on COVID 19 Impact & Positives Ahead by ANAROCK on 08.04.2020

Dhaval Ajmera welcomed the speakers. Opened the floor to the speakers

Anuj Puri, Chairman of Anarock Property Consultants Pvt. Ltd.

Our Take on the market

There is Nothing Right and Nothing wrong as this happens once in 100 years

1. 2009 was a Wealth Destruction because of Greed, 2020 Crisis due to Pandemic is
2. The demand for residential in worst case may go down to over 30%, from 42msf to 28msf – data collected from 5 large developers and 5 major Corporates
3. There won't be an immediate surge in the Retail Sales/Revenues as the customers' confidence would still be on a lower side
4. For F&B – around 50% - 70% won't be able to survive if the lock down extends to another quarter and no provisions in relation to Moratorium is provided clearly
5. 50% demand in Retail will sink
6. **Steps for Retail holdings**
 - a. Partners must remain strong
 - b. LRD should be taken care of
7. Two perspectives are seen from the buyers side
 - a. **Negative**

- i. Low Confidence
- ii. Sales guys are being bashed by customers

b. Positive

- i. People who have invested in Stocks are now eyeing opportunities in RE as since last 2 years the Stocks have resulted to be a bad choice
 - ii. Attractive Interest Rates
 - iii. NRIs are showing interest as the value of Rupee in the international market compared to the Dollar is going down
 - iv. Buyers looking for a Hard, Physical Asset
8. In 2019, Supply for Residential was 2,36,000 units according to ANAROCK which was suppose to go down by 30% to 1,65,000 units but the Sales have turned up to 2,60,000 units which denotes that the previous unsold inventory is being sold and the net Unsold Inventory is going down
9. Speculations – April to June will be a slow sail, July may see even more decline if the situation worsen
10. In comparison to India that is selling around 1.6 – 2.6 L units a year, China on the other hand is selling a whooping 1Cr Inventory
11. Consolidation will surely happen in every sector
12. Players that will cease to exist will be who –
- a. are not able to do sales
 - b. are highly levered
 - c. do not have enough cash
13. Pandemic is a productivity Loss/Crisis
14. Attractive prices in USA and Canada
15. Currently, ANAROCK is making 15% sales to the estimated targets for the year
16. Gel, Tell and Sell Strategy for making a sale
17. Price protection per square ft must be given
18. Offices will go for Down-sizing or Resizing
19. LTV is expected to go down from 70% to 50%-60%
20. Greenfield projects will be looked closely and the potential of the developer will be taken into account
21. Help of Sovereign Funds like SWAMI Funds is advised for player with clean plan and doable scope

22. Use of Special Situation Funds (SSF) maybe taken. This is through the global markets with a rate of 18%-21% that too it is Dollar denominated. It has a LIFO approach. The last door to knock would be of SSF.
23. FDI from Japan, Korea. They are willing to fund the projects with ready inventory
24. Underwriting on the current prices & not higher for LRD purpose
25. "Demand will not go away; The Confidence is Shaken"
26. Value Chain has to be looked at.
27. What a developer can do?
 - a. Continue with the construction as it brings confidence in buyers to see it through their eyes rather than to believe on words of developer
 - b. No Price Cuts are advice (according to Anuj Puri)
 - c. Inventory Funding (FDI – Japan, Korean, Hong Kong)
 - d. No immediate reaction from the customer is expected at least for another 90 days
 - e. As 80% of all the buying are done through Digital Media, Don't stop marketing the product on digital platforms
 - f. EOI (Expression of Interest) should be practiced
 - g. Allowing and accessing NBFCs to restructure
28. Presently, the govt priorities are
 - a. Medical
 - b. Food & Essentials
 - c. Economy
29. Coworking, Co-Living, Student Housing and Senior Housing
 - a. Good concept. Should continue
 - b. PE may not be able to fund it
30. Affordable Housing Segment
 - a. Sales team should become aggressive even in these times
 - b. It's not a holiday for staff
31. Expectation from Center
 - a. GST Rate Cuts
32. Expectation from State
 - a. Stamp Duty relaxations
33. Expectation from RBI
 - a. Provide for Morat

(3 months won't be enough, ideally 18-24 months, but 12 months of Morat is fine too)

34. Change the Definition of NPAs

a. From current => 0-30-60-90 days

b. To modified => 3-6-9 months

35. Input Tax Credit should be given (be it 5%,6% or 8%)