

# Real estate: Regaining lost ground

The growth in the commercial space may continue, while the residential segment recovers slowly

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The performance of real estate firms in the recent December quarter has been a mixed bag. Some companies in the BSE Realty index showed signs of improvement, while others are struggling with huge debts and unsold inventories.

Companies in the middle and lower-income housing segment and those that diversified into hospitality (hotels), retail (malls and shopping complexes) and office space rental have reported better financials in the period.

## Solid foundation

The real estate sector had troubles largely on account of inflated prices, lack of regulations and transparency in transactions.

Some of the players were able to get past these troubles, thanks to their presence in the mid- and affordable housing segment,

which saw the most traction among home buyers.

Oberoi Realty, for one, saw its overall revenue increase by 41 per cent Y-o-Y in the December quarter. The lucrative locations of its projects ensure that the company is able to enjoy significant pricing power in the market. Rental income growth was also healthy at 17 per cent Y-o-Y; however, revenue from the hospitality segment was tepid, up only 2 per cent. The company reported a profit increase of 41 per cent Y-o-Y.

Similarly, Indiabulls Real Estate, one of the largest realty companies in the country, reported a seven-fold increase in revenue from operations in the December period. Also, the company reported a profit growth of about 96 per cent Y-o-Y.

The company's presence in mid, luxury and premium housing segments and their location near infrastructure such as the Mumbai metro and Delhi Dwarka Expressway have helped the company in its growth.

The pick-up in demand in the residential segment, particularly in metros, has helped companies such as Sobha. It reported revenue and profit growth of 28 per



cent and 26 per cent Y-o-Y respectively for the December 2017 quarter.

While the residential segment continues to struggle, the demand for office spaces was healthy. Phoenix Mills derives a majority of its revenue from retail (63 per cent) and hospitality (23 per cent). The company registered a revenue growth of 8 per cent Y-o-Y and profit growth of 63 per cent Y-o-Y.

## The laggards

The residential market melt-down has affected large players such as DLF and Unitech, espe-

cially in worst-affected cities such as New Delhi and Gurgaon. For Unitech, one of the largest companies in the real estate market with pan-India presence, huge debts, unsold inventories and regulatory issues have been hurting its top and bottom lines. It is stuck in an on-going litigation with home buyers for delay in deliver of projects, and other issues. Though the sales for the December period have improved 34 per cent Y-o-Y, the company has reported loss at the net level. DLF is also burdened with huge debt. But the company has taken steps to bring down its

debt levels (through the sale of DLF cyber city). With real estate market demand slowly picking up and implementation of RERA (Real Estate Regulatory Authority), the company should be able to get through its troubled period. DLF reported a revenue decline of 18 per cent Y-o-Y and loss.

Other players such as Godrej Properties and Prestige Estates Projects, both with properties in prime locations in various cities, are set to aggressively launch projects in select central and sub-urban areas.

Both companies have launched properties across middle, premium and affordable housing categories. They also have presence in commercial and hospitality. All these have reflected in the companies' revenue expansion.

Prestige Estate Projects' revenue grew 3 per cent Y-o-Y whereas the profit declined 3 per cent Y-o-Y due to increase in cost of operations in the recent quarter. Similarly, Godrej Properties too reported a revenue growth of 21 per cent Y-o-Y and its profit fell 66 per cent, primarily due to increase in cost of sales.



## Did you know?

Pan-India players, Unitech and DLF, reported losses in the December quarter