



29th March 2020

President's Message



Shri Nayan Shah
President
CREDAI-MCHI

“Global Pandemic of COVID-19 has proved to be an Outlier event. It’s a force majeure situation. Neither the end of this virus is known so far, nor the impact it would eventually cause to global economy. Let me admit, psychologically the world is depressed about the future. I am highly impressed about the positive morale and attitude exhibited by all Indians. World is watching us and we have a huge psychological advantage in this crisis. The spirit of Mumbai is famous globally, the city has always rebounded from worse of crisis and this too shall pass. At CREDAI-MCHI this report is our endeavor to present the findings of the exploratory research and multi-stakeholder formulative study undertaken viz. primary research conducted across more than 100 Real Estate Developers of MMR and various real estate experts / professionals in the industry.

I strongly believe in the tri-pod model of Consumer-Supplier-Government. Consumer here refers to various purchasers, end users, investors etc. Supplier refers to the Developer, the provider of real estate supply, the manufacturer and finally Government refers to the State. The coordination of these three parties of the tri-pod forms the basis of future policy making. Central Government of India and State Government of Maharashtra have shown tremendous grit and proactiveness in declaring various reliefs in times of this national crisis. The world is watching us fight COVID 19 unitedly and I am sure we will emerge out stronger and more resilient.”

About CREDAI-MCHI

CREDAI-MCHI is an apex body consisting of members from the Real Estate Industry among Mumbai Metropolitan Region (MMR). It is the most prominent and the only recognized body of Real Estate Developers in Mumbai and MMR. We bring together members dealing in Real Estate Development on one common platform to address various issues facing the Industry. With a strong Membership of over 1400 leading Developers in Mumbai, CREDAI-MCHI has expanded across MMR, having its own units in the region of Thane, Kalyan-Dombivli, Mira-Virar, Raigad and Navi Mumbai. CREDAI-MCHI is recognized by Government of Maharashtra and the Central Government and helps in meeting their objectives of providing housing, which is a basic necessity.

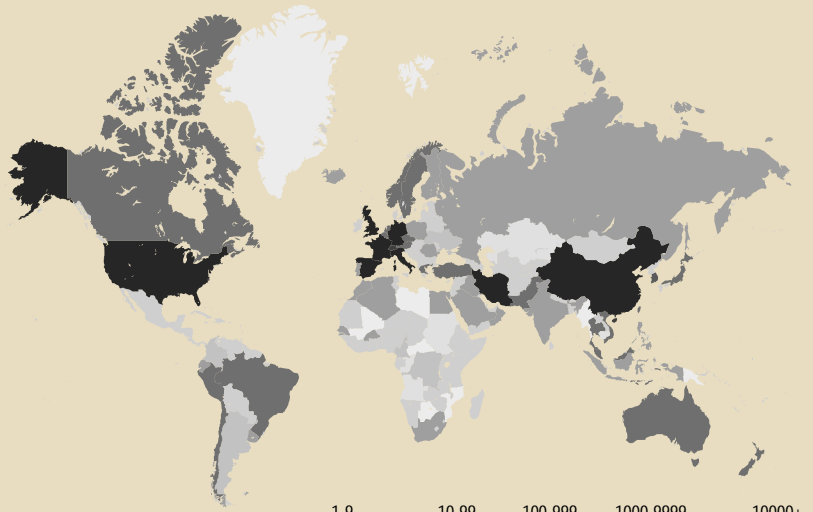
INTRODUCTION

“A pandemic. A disaster. Something that the world had never seen.”

In form of Covid-19, the world is experiencing the largest threat to humanity since world war II. The deadly disease which originated in mainland China in December 2019 has now spread to 198 countries. It has infected over 600,000 persons and has taken over 31,000 lives across the world. Italy, China, USA, Iran, Spain and France are the most affected nations which account for more than 90% of the total deaths due to the disease.

The pandemic has effected a complete lockdown in major economies of the world which include USA, China, Italy, Germany, Russia, Japan & India. The world economy is at standstill as governments prepare to fight the spread of the virus. While Economies like China & Japan where the spread has reduced in the last week of March are slowly crawling back to normal operations, countries like Italy, US & Spain are struggling to contain the spread. The pandemic is expected to phase out by end of H1 2020 but how long will it's effects last is still a question mark.

India has a higher risk of exposure to the pandemic due to the demographics & non availability of efficient health Infrastructure. Mumbai, with the population more than 25 million is prone to a community spread of the disease due to high density of population.



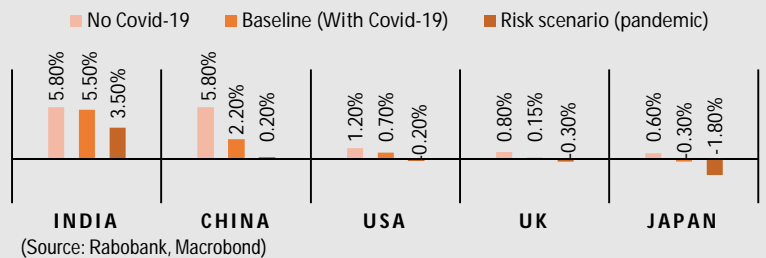
No. of cases as on 29th March 2020 (World Health Organisation, 2020)

ECONOMY



According to UN's trade & development agency, Covid-19 will wash out **\$1 trillion** from the world economy

Economic Growth 2020



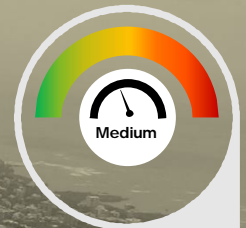
- Equity Benchmarks (SENSEX & NIFTY) have fallen more than 35% from January Peaks
- Barclays Estimates 21 Day Lockdown in India to cost \$120 billion viz around 4% of the Indian GDP

IMPACT RESIDENTIAL



- Residential real estate has already been under an enormous pressure due to the prevailing liquidity crunch, subdued demand and unaffordable prices
- Both sales & collection will get impacted due to the nationwide lockdown. According to ANAROCK research, residential sales have fallen 42% YoY basis & 24% in comparison with previous quarter Q4 2019
- CREDAI-MCHI identified that there was a 250% drop in home loan collection in March 2020 as compared to January 2020
- Residential bookings have fallen by 78% as compared to January 2020.
- RERA has a provision of 1 year extension in project completion in case of events beyond promoter's control
- Developer cashflows will be adversely affected due to the lockdown. While cash outflows in the short term will be negated due to stalled construction projects, the overall moderation in the long term will depend upon developer's ability to sustain collections
- RBI's three month moratorium on term loan instalments is expected to release some pressure off the developers
- Construction Industry is the second largest employer after agriculture, the workforce will be majorly hit due to stalled projects
- Stalled projects will decrease the demand for construction finance and increase liabilities on bank, hence the cost of finance is expected to increase

IMPACT-O-METER



- Sector already stressed due to liquidity crisis
- Developer cashflows at Risk due to delayed Collections
- Recovery expected around H2 2020

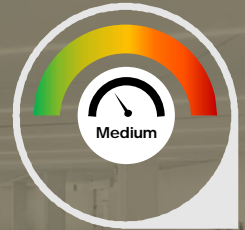


IMPACT COMMERCIAL

- Indian office space leasing crossed a historic 62 million sq.ft. in 2019, with increasing global economic uncertainty, booming Indian Commercial Real Estate will experience a slowdown
- 2019 saw listing of India's first REIT, Mindspace REIT which is in pipeline for 2020 will be delayed due to the pandemic.
- Pre-commitments will form a significant part of leasing in H1 2020. Other than pre-commitments demand for office is likely to be postponed to H2 2020 or H1 2021
- Existing tenants might delay lease renewals to H2 2020 & will renegotiate rent free periods until lockdown
- Construction of office spaces in 2020 will get delayed because of disruption in the supply chain industry

- There are few significant long term impacts on the Indian commercial real estate market due to the pandemic especially in the Co-Working business
- While the corporates in Co-working spaces will return to normal operations, seat based short term leases might see a fall due to a surge in 'work from home' productivity during lockdown
- The lockdown if prolonged might create pressure on sub-leased business models of Co-working spaces and can lead to a cashflow mismatch which is a major point of concern
- Firms will opt for centralised operations and consolidate their space holdings to cut costs and optimise work operations as per MCHI CREDAI findings

IMPACT-O-METER



- REITs will be delayed
- Lease Renegotiations
- Co-working business at a massive Risk



IMPACT HOSPITALITY

- Hospitality Industry is directly dependent on trade, travel & tourism. Global travel bans have deteriorated the revenues for hospitality industry
- According to a study by Hotelivate, for calendar year 2020, Covid-19 will reduce the nationwide occupancy by 18% to 20% while the blended ADR will see a decrease of about 12% to 14%
- The revenues for the nationwide hotels, guest houses, banquet halls etc are expected to erode by \$4.2 billion to \$4.7 billion
- The revenues for organized/branded sector are estimated to decline by 27% to 32% YoY
- According to STR research, India RevPAR was down 4.1% YoY in February. The only markets in the country that grew RevPAR were Hyderabad, Gujarat, Pune and Gurugram
- Hotels in Bengaluru, Mumbai, Delhi & Gurugram rely on International trade hence the performance was immediately impacted due to travel bans
- Federation of Associations in Indian Tourism and Hospitality (FAITH) have estimated that 70% out of a total estimated workforce of 5.5 crore (direct and indirect) could get unemployed (3.8 crore)
- OYO, the third largest hotel chain in the world originating from India has decided on deferrals of minimum payment guarantee to hotel owners

INDIA OCCUPANCY-MARCH 2020

WEEK 1 WEEK 2 WEEK 3



Recovery for the Sector looks bleak until the start of H2 2020. Domestic travel will pick up first hence cities relying on International travel must expect a slowdown until H1 2021

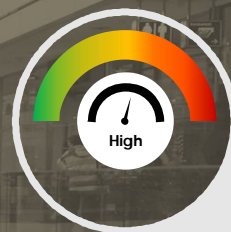
IMPACT-O-METER



- High erosion in Revenues
- Global Travel ban hampering the occupancies
- Large scale Job losses
- Recovery Estimated around H1 2021



IMPACT-O-METER

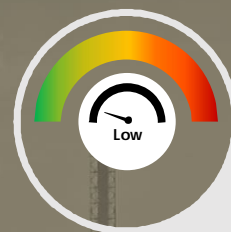


- Zero Footfall has Retail portfolios at Risk
- Anchor tenants protected by Force Majeure clauses
- High scale job losses

IMPACT INDUSTRIAL



IMPACT-O-METER

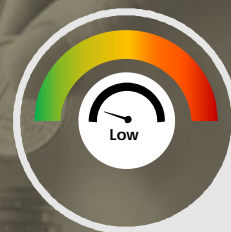


- Investments at halt
- Impact to be normalised with upliftment of lockdown
- Opportunity for growth in ties of uncertainty

IMPACT INVESTMENTS



IMPACT-O-METER



- Short term slowdown due to slow decision making
- Positive outlook for H2 2020

2020

Can India sustain future pandemics?

- Out of 10 most densely populated cities in the world, 3 cities belong from India.
- Diseases with a threat of community spread make India vulnerable due to high density of population and lower standard of living.
- Mumbai is the most densely populated Indian city with more than 30,000 persons per Sq. Km and what's more concerning is, around 60% of this population lives in slums under highly unhygienic conditions.
- Thus as long as there are slums and encroachments in urban areas, the risk of a community spread is much higher and the society is at high risk which currently is the situation in India
- In 1666, after the great fire in London, the city was completely redesigned and master planned again to safeguard against such calamities.
- After the great plague of Pune in 1896, an estimated 30% population moved to the suburbs of the city to reduce social contact which redefined the urban fabric of the city
- Just like afore mentioned historic incidents, this pandemic is an alarming indication that to sustain a pandemic situation, the government authorities must go back to the black board and redefine the urban infrastructure of the cities in India.

"Real Estate is a painting painted on the Canvas of Urban Infrastructure"

-Prof. Amol S. Shimpi
Associate Dean & Director,
RICS SBE, Mumbai

RESEARCH METHODOLOGY

Primary Research

- Exploratory Research : Multi-Stakeholder Formulative Study
- Interviews with more than 100 Developer Members of CREDAI-MCHI
- Interview with multiple Real Estate Industry Experts & Professionals

Secondary Research

- News Articles
- IPC Reports
- Reports from Rating Agencies
- Industry Blogs
- Website Posts

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