

Small, medium realty developers face the heat

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In the realty sector, demonetisation has led to tight working capital for many small and medium developers.

“The Indian realty market, which is largely fragmented and unorganised, has had a reputation of being a safe haven for black money, and therefore, we expect to see an impact on real estate asset classes, especially in the secondary market,” said Anshul Jain, Managing Director-India, Cushman & Wakefield.

Primary market

The primary market, largely driven by large developers, is unlikely to get affected much as most do not deal in cash, he added.

Shishir Baijal, Chairman and Managing Director, Knight Frank India, said: “Institutional funding to developers, which till the present day came with a higher risk weightage, is bound to see some softening with the increased transparency. Prices coming down to more reasonable levels in the residential property market cannot be ruled out.”

“While bellwethers are hinting at dark days ahead, these fears can at best be called unfounded when it comes to the Indian real estate business within the country,” explained Anuj Puri, Chairman and Country Head, JLL India.

According to Puri, in the residential segment, the primary sales segment is largely influenced by home finance players, and deals tend to be facilitated in a transparent manner.

This segment will, therefore, see limited impact in larger cities.

There will be minimum impact in the commercial segment, especially office/industrial leasing and transactions business, given that cash component does not play a significant role in such transactions.

Hotels and hospitality-related real estate in the organised sector will see very negligible impact by the demonetisation.

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