



# From the CEO's Desk

As we approach the end of 2011, the overall investment climate appears uncertain. The fallout from the implosion of European economy has spread to Asia in the form of sharp devaluations of currencies and declining trade, demonstrating that stuttering growth in the global economy is likely to have a profound impact on demand for real estate in India.

The level of risk associated with the real estate sector has risen and taking potential investment risks into account has assumed increased importance. There are a host of reasons that can be cited for the increased level of risk in today's realty sector. At the macroeconomic level, it can be attributed partly to the sustained rise in inflation. In an attempt to curb this increase, the Reserve Bank of India (RBI) has hiked interest rates, putting the entire economy in the grips of a vicious circle. However, although tightening monetary policies may help to contain inflation, they might also have a repercussion in terms of growth. Nevertheless, the RBI has announced 13 consecutive hikes in the repo rate over the past 20 months, raising the cost of funds for developers and putting end-users in a tough predicament.

Financial risks that result in challenges, such as the rising costs of raw materials and labour, and limited access to capital for construction, have put real estate stakeholders under significant pressure. Furthermore, recent occurrences, including the 2G spectrum scam and the farm land acquisition issue in the Noida Extension, have worsened the already adverse market sentiment and ushered in a wave of pessimism.

In order to combat such unforeseen risks, commercial banks have adopted a tough position when dealing with real estate developers looking for loans. There has been a sharp rise in the level of scrutiny before loans are sanctioned. Meanwhile, the RBI has increased the risk weightage on these loans, thereby increasing the cost of loans to developers, forcing real estate developers to borrow from other sources such as private equity and non-banking finance companies.

At INDIAREIT, we continue to be well equipped to deal with these eventualities and believe that even these tough times provide our investors with a strategic window of opportunity. We continue to favour investments with downward protection for an optimal return and continue to put increased emphasis on equity over debt. In addition, we view partnership as the best way forward in a rough economic climate, in furtherance of which we have also expanded to newer investments.

INDIAREIT Fund Scheme IV has successfully closed a transaction of Rs. 200 crore with Omkar Realtors & Developers Pvt. Ltd. for a premium residential project at a prime location in Worli, Mumbai having a development potential of over a million sq. feet. We are excited at the opportunity to forge a partnership with Omkar Realtors & Developers for this project and this investment is a validation of our belief in the developer and his capabilities as also the location. You may get in touch with our Investor Relations team at [investors@piramal.com](mailto:investors@piramal.com) for more information.



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