



Covid-19 Impact on RE

APRIL 2020 | HYDERABAD

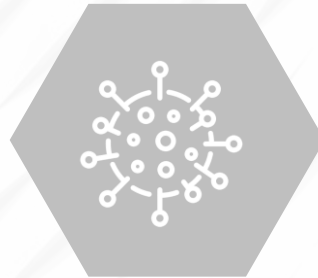


NAVIGATING THE **UNCERTAINTY**



1

PANDEMIC

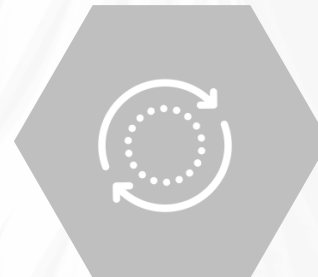


**ECONOMIC
IMPACT**

3

2

NEW NORMAL



RECOVERY

4

INDIA & COVID

Lockdown and economic disruption



THE DISRUPTION

- Recession predicted globally-Silver lining is India to be one of few to still record some positive GDP growth (1.9%)
- **Contraction in exports much more severe than GFC in 2008-09**
- Cash crunch in real estate worsening, ~5.0 lakh Cr. developer loans outstanding
- ~450,000 retail stores (employing more than 40 mn people) shut
- Significant impact on hospitality sector, approx. USD 8-10bn revenue loss in 2020
- **Major loss of earnings and business contraction**



THE RESPONSE

- **Government's revival plan** - INR 1.7 trillion relief for the economically weaker sections and healthcare workers, stimulus 2.0 underway
- RBI's push to reduce **repo rate to a two-decade low**, **liquidity measures** to support the economy, making funds available to NBFC sector and real estate as a result
- Conditional **resumption of some activities**
- **Staggered lifting of lockdown** sanctions
- Opening on cargo networks, industry and manufacturing facilities



WHAT'S NEXT?

- Global disruption - USA and Europe widely impacted, Economic headwinds
- Lessons from China - quarantine, lockdown, contact tracing, isolation, sealing
- **Sharp turnaround projected in 2021-22**
- Seminal changes to way we live and work
- **There is nothing like BAU in 2020**
- Adjusting to a new reality
- Remote working, telecommuting a new normal
- Vulnerabilities in the formal & informal sector

COVID & INDIAN REAL ESTATE

Commercial Office

- Short term demand disruption
- US / EMEA Covid situation
- Deal deferrals, longer-term story still intact
- Cost optimization, CAPEX savings targeted
- Rental softening may be likely in certain cases
- Companies are re-evaluating space strategies
- Reduction in demand from small & medium enterprises; start-ups
- Several active expansion / consolidation requirements of 100,000 sf and above stand deferred at this point, revival likely in 2020/21
- Supply chain disruptions, impact on resource mobilization to cascade into project completion slippages, developers to be strategic about it
- Dry powder available, strong investor interest in Hyderabad



Organized Retail – Malls & Main Streets

- Severe impact on retailers
- Impact on footfalls in the short term
- Closure of malls / restrictions to continue
- Health & Safety concerns, crowd management
- Commercial terms may be reworked - more towards revenue share & less of minimum guarantee in anticipation of future business disruptions
- Long term impact on retailer-landlord relationships
- Retailers are hopeful of the festive season towards the end of the year (Q4)
- Change in sourcing and supply chains
- Retail digitalization and data intelligence utilization to pick up pace
- Managing inventory / demand fluctuations



COVID & INDIAN REAL ESTATE

Residential

- Existing distress in the segment
- Construction delays likely
- Over-leveraged developers
- RERA providing extension for project completion timelines on national level
- Broader economic impact and uncertainty = dampened market sentiments at least for the next 2-3 quarters.
- Weak affordability and subdued demand conditions are likely to prevail.
- Sales are likely to remain sluggish in the short term posing significant challenges for operating cash flows, particularly for smaller players
- Major impact on affordable housing & luxury segment
- Opportunity for bargain buyers with no liquidity concerns
- Some developers may have to offload unsold inventory to reduce their widening cash flow gaps.



What was expected in Hyderabad's residential market at the end of 2019?

- Growth in new launches
- Demand shift to high-end, price growth
- Rise of new catchments and rapid rise in hot localities (which were expected to account for a major share in new launches in 2020)
- Strengthening of organized residential market in the Eastern and Southern Hyderabad
- Further rise in land values across the city and growing residential momentum in peripheries, especially those beyond ORR

COVID & CHINA'S REBOUND

- Big data - citizen mapping
- New Normal - masks and temperature checks, social distancing
- **Retail** - Consumer behavior coming back to normal, revenge buying
- **Office** - it was hit less hard than other sectors, work from home adaptation relatively easy, tailor made enterprise solutions
- Workplace practices - limits on number of staff in the initial days, masks and temperature checks were a must, changes in workplace design trends slowly emerging
- Building technologies such as thermal imaging, contact-less scanning are becoming prevalent
- **Residential** - buyers' interest coming back, apartments with office space additions, health & safety standards / amenities are gaining traction
- Investors are exploring buying opportunities, tight controls on lending is an opportunity for international investors

HOW ARE YOU ADAPTING?



01

BE WELCOME AT
WORK, BUT ALWAYS
ACT RESPONSIBLY

02

STICK TO THE RULES,
FOLLOW THE SIGNS

03

STAY SAFE AT 6 FEET
FROM EACH OTHER

04

WALK THE OFFICE
CLOCKWISE, ALWAYS
AND EVERYWHERE

05

ENTER AND LEAVE
MEETING ROOMS
AS INDICATED

06

REPLACE YOUR
DESKPAD DAILY AND
LEAVE A CLEAN DESK

THANK YOU

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