

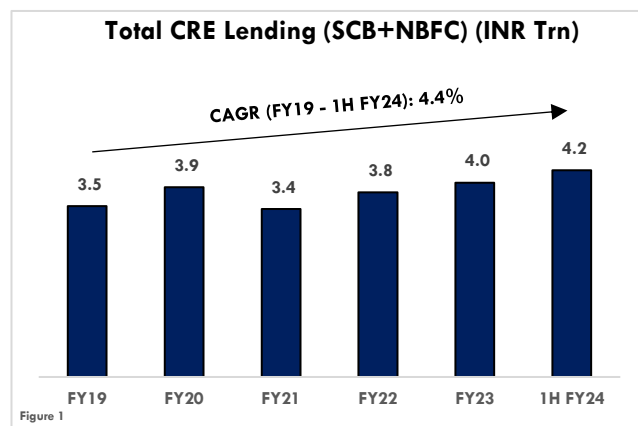
White space in terms of capital availability for the Real Estate Sector

- CRE exposure of Scheduled Commercial Banks (SCBs)⁽¹⁾ has grown at a slow pace over the last 5 yrs
- Moreover, NBFC's CRE exposure reduced by 44% from INR 1.5 trn in FY19 to INR 0.8 trn in 1HFY24
- Significant capital vacuum in capital availability for performing, unlisted developers
- At the same time, residential real estate sector is in the middle of a robust upcycle
- This has led to a unique, attractive opportunity for creating a credit platform to plug this funding gap

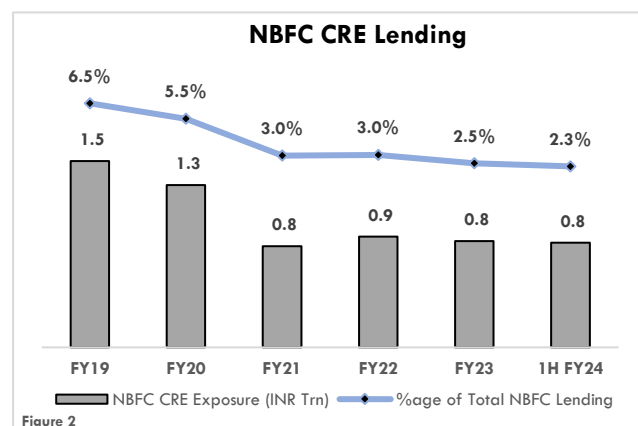
Declining traditional sources of capital for the Real Estate Sector

RBI has recently shared a report on Trend and Progress of Banking in India (2022-23). Few points caught our attention related to the deployment by SCB and NBFC credit in Commercial Real Estate (CRE) and housing loans:

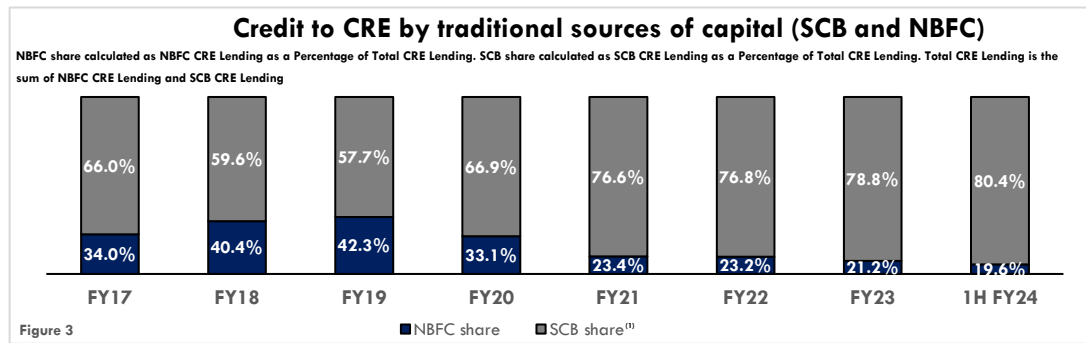
- ✓ Traditional sources of finance to CRE are not meaningfully active
 - Total CRE exposure of Banks and NBFCs has grown at a CAGR of just 4.4% from FY19 to 1HFY24 (refer figure 1)



- Share of CRE to total credit to industry and services has fallen from 5.1% in FY19 to 4.6% in 1HFY24
- ✓ If we dig deeper, NBFCs have continued to shrink their CRE lending book:
 - NBFCs' CRE exposure reduced by 44% from INR 1.5 trn in FY19 to INR 0.8 trn in 1HFY24 (refer figure 2)
 - NBFCs' CRE exposure to NBFCs' overall lending book reduced from 6.5% in FY19 to just 2.3% in 1HFY24 (refer figure 2)

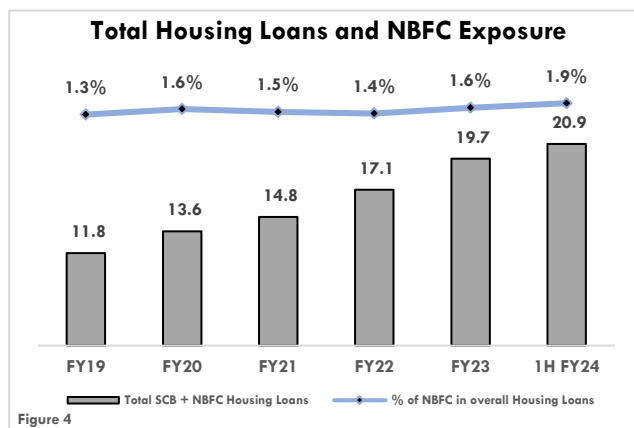


- NBFCs' share of credit to CRE (as %age of Bank and NBFC CRE) has reduced from 42% in FY19 to less than 20% in 1HFY24 (refer figure 3)



- ✓ At the same time, residential estate remains robust with strong sales and launch momentum across cities in India (Refer our earlier insight on [Higher mortgage rates have been absorbed well](#)):
 - 9MCY23 sales have already reached 91% of the CY22 sales
 - Sales and launches in 9MCY23 have grown by 21% and 24% y-o-y respectively.
 - 9MCY23 pan India inventory (in terms of years-to-sell or YTS) was 2.3, which is the lowest in last several years
 - FY23 was the best year in terms of sales volume for all listed developers and it appears that FY24 would beat this record

- ✓ Credit to retail housing loan from both Banks and NBFCs remains robust
 - Overall housing loan (Banks and NBFC) has increased at a CAGR of 13.7% from FY19 to 1HFY24 (refer figure 4)
 - NBFCs' share of credit to housing loan (as a % of SCB and NBFC housing loan) has improved from 1.3% in FY19 to 1.9% in 1HFY24 (refer figure 4)



Certus view:

Clearly, SCBs aren't too active in the CRE sector and NBFCs have significantly vacated this space. There is a massive white space in terms of capital availability for performing, unlisted players. On the other hand, residential cycle remains strong and we are in the 3rd year of a multi-year housing cycle. This unique situation has created an attractive opportunity for creation of a specialized CRE credit platform to plug this funding gap.

1. Scheduled Commercial Bank; excludes the impact of the merger of HDFC Bank and HDFC Ltd.



Founded in July 2018, Certus Capital is an independent, team-owned platform. Certus partners with institutional investors and family offices to invest in real estate opportunities in India. For more information, please contact us on contact@certus.co.in or visit us at <https://certuscapital.in>

Disclaimer

This publication has been prepared solely for informational purposes only. The information contained herein is only as current as of the date indicated and may be superseded by subsequent market events or for other reasons. The information in this document has been developed internally and/or obtained from sources believed to be reliable; however, neither Certus Capital or its affiliates guarantees the accuracy, adequacy or completeness of such information. Nothing contained herein constitutes investment, legal, tax or other advice nor is it to be relied on in making an investment or other decision. This publication should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. The investment strategy and themes discussed herein may be unsuitable for investors depending on their specific investment objectives and financial situation.

The views expressed reflect the current views as of the date hereof and Certus Capital or any of its affiliates does not undertake to advise you of any changes in the views expressed herein. Opinions or statements regarding market trends are based on current market conditions and are subject to change without notice. It should not be assumed that Certus Capital or any of its employees has made or will make investment recommendations in the future that are consistent with the views expressed herein, or use any or all of the techniques or methods of analysis described herein.

Certus Capital does not assume any duty to, nor undertakes to update forward looking statements. No representation or warranty, express or implied, is made or given by or on behalf of Certus Capital as to the accuracy and completeness or fairness of the information contained in this publication and no responsibility or liability is accepted for any such information. By accepting this document, the recipient acknowledges its understanding and acceptance of the foregoing statement.

Please see [Terms & Conditions](#) governing the terms of use of this publication. For information regarding how Certus Capital collects, uses and maintains personal data, please see [Privacy Policy](#).