

PARTNERS in success

Can a healthy collaboration between two developers help in bringing back consumer confidence and reviving the realty market? We find out...



Amit Sethi
Tpmfeedback
@timesgroup.com

Tie-ups, partnerships and collaborations are in the air. With funding problems, possession woes and execution issues, realty players have been suffering for a long time now. With the success of some recent big-ticket partnerships in the realty sector, other players have now started assessing the success of similar tie-ups. The question is whether such synergies would benefit the home-buyers and help the realty market bounce back from the recent slump?

EXPERTS SPEAK:
Ajay Jain, ED and head - real estate, Centrum Capital says, "Collaborations between real estate players enhance the execution capacity; help in better designing of the product; improve the credibility; en-

sure sharper selling and marketing skills along with providing the financial muscle or expanding the fund-raising bandwidth. Developers are coming together wherein one partner has land parcels and the other, the capability to execute the project. Partnerships are usually inked, if a real estate developer is ill-equipped of any of the above mentioned or other components. Joint ventures also help in speeding up permissions and approvals, which is a big bottleneck many developers face today. It is important that a distinct synergy arises from such a venture and each player benefits from it." Experts point out that factors such as the increasing cost of land and construction, coupled with a low sales velocity, have steered some financially-stressed developers to monetise their land holdings by entering into developmental agreements with other developers who are scouting for de-



COLLABORATIONS BETWEEN REAL ESTATE PLAYERS ENHANCE THE EXECUTION CAPACITY AND HELP IN BETTER DESIGNING OF THE PRODUCT

velopable land that meets their expectations and absolves them of the need to tie up their cash-flows. The partnership provides an opportunity for both parties to use their respective idle assets, expertise and brand name.

WILL PARTNERSHIPS HELP?

"The collaboration unfolds newer opportunities for both the parties and apportion the financial pressure, but it does not guarantee success in terms of sales as that is an interplay of numerous factors such as the existing demand in the location vis-à-vis price

points, design and specifications, delivery timelines, etc," suggests Manish Aggarwal, managing director-NCR, Cushman & Wakefield.

He further elaborates on the benefits of partnerships when he says, "The partnership enables the firms to leverage the strengths of each other, in various aspects such as execution (contractor capability); construction; marketing and also provides access to abundant capital for completion of the project undertaken. This helps instill confidence among prospective buyers as the track-record of the new partnership is established from the brand equity of the developers involved."

"Project partnerships are important as they help meet the financial needs of the project, avoid delays and give a better exposure and reach to the buyers. Collaborations and tie-ups with big players equipped with deep pockets and a good brand name, deepen trust in the minds of the buyers and lead to the sale of the unsold inventories. One partner handles the sales and marketing for the project and the other takes care of the legal and construction progress on a day-to-day basis, which help in the on-time delivery of the property," opines Sumit Jain, national director, Residential Services at Colliers International India.

A WIN-WIN SITUATION:

According to experts, a partnership between realty players is a win-win scenario for both, the developer and consumers. End-users benefit due to a credible joint venture and greater brand value associated with the property; assured construction quality; better maintenance standards; higher transparency; timely project delivery - all of which lead to increased consumer confidence. A credible collaboration proves fruitful in situations wherein the end-users are doubtful about the project delivery timeline and this arrangement gives them some confidence regarding the project completion and quality. This is a positive sign from an investment point of view due to the likelihood of reasonable returns, which is associated with good quality properties.