

Fundamentally Better Ecosystem: Why senior secured real estate lending in India is structurally sounder than 2010-18

- Senior secured real estate lending today benefits from a significantly stronger regulatory, monitoring and recovery framework than the 2010–18 cycle.
- Combination of RERA escrow framework, IBC deterrence, experienced technical and monitoring vendors, resolution architecture have materially improved lender protection and risk visibility.
- 2026 vintage of senior secured real estate credit in India is structurally safer and sounder than the previous vintage.

- ✓ A decade of structural reforms in both law and practice has transformed every dimension of the senior secured lending risk framework in the real estate space with better governance, regulatory framework, better monitoring and a resolution toolkit in worst case scenario.
- ✓ Compare it to 2010-18 cycle, regulatory and recovery framework was slow, project monitoring was nascent, developers were less governed and if a project stalled, a lender had essentially no toolkit/architecture to get it moving again.
- ✓ The combination of RERA escrow account framework, IBC deterrence, experienced technical and monitoring vendors, resolution architecture (availability of development manager, sales channel partner) means worst-case recovery pathway today is fundamentally stronger to a real estate lender than during 2010-18 cycle.
- ✓ Below table highlights the ecosystem transformation:

Ecosystem Dimension	2010–2018: What Lenders Faced	2024–2026: What Has Changed	Risk Reduction for Senior Lenders
Regulatory Framework	No RERA; no regulatory escrow mandate and defined completion timeline; no formal recourse for buyers	Mandatory registration under RERA before offer of sale with defined escrow accounts; completion timeline commitment; project progress disclosure; formal recourse for buyers for any complaints or grievance	Mandatory collection in dedicated, project-specific RERA escrow accounts. Lender with hypothecation over escrow cashflows has a legally protected, ring-fenced revenue stream
Insolvency Tools	Only DRT / SARFAESI, process was slow, contested where developers could stall for a long time; no real fear of personal consequence	IBC 2016 + subsequent amendments: more credible, time-bound threat and where the fear of losing control shapes developer behaviour long before any default	Genuine deterrence; Credible insolvency threat changes developer behaviour pre-default; senior lenders retain priority; faster resolution timeline
Developer Quality	1,000+ operators; opaque operations; no balance sheet discipline; limited	More mature developer universe, more balance sheet strength, consolidation	Stronger counterparties; stronger balance sheet; better

Ecosystem Dimension	2010–2018: What Lenders Faced	2024–2026: What Has Changed	Risk Reduction for Senior Lenders
	governance, mostly characterized by less experienced developers	has weeded fly by night operators and weaker counterparties.	governance; more experienced and mature developers
Construction Cost Diligence	Ad hoc cost estimates; BOQ prepared by developer's own engineers; no major independent validation; surprise overruns common	Independent construction cost consultants produce detailed BOQ; data-backed cost estimates	More accurate technical cost assessment; potentially fewer cost-overrun surprises; better loan sizing discipline
Project Monitoring	Limited vendors for project monitoring, mostly lender site visits and self-reported progress	Quality Independent Monitoring Agencies / Independent Engineers available; regular escrow inflow and outflow reconciliation, Units NOCs regularly monitored	Real-time construction progress visibility; disbursements stage-linked and IE-certified; fund diversion detectable early
Resolution Architecture (in case of a worst-case scenario)	No proven players available for plug n play; developer controlled project and lender had no operational capability to step in; stuck with security enforcement only	Plug and play options available with more implementable step-in rights, emergence of the Development Manager model, specialized sales channel partners and a mature contractor ecosystem	In a worst-case scenario a lender now has a realistic and a more implementable pathway to project completion and capital recovery; project completion viable even after developer removal; reduces collateral loss risk materially

- ✓ In the current cycle, there is a regulatory framework, a legal tool, a monitoring platform to ensure that cost assessment is more accurate, collections are collected in escrow accounts, project progress is monitored independently, borrowers are better governed, even in the worst case scenario, a defaulting developer faces real consequences and even a stalled project can be completed by a professional DM with the right tools. This mature ecosystem helps in early warning system, creating a trigger for step-in rights before distress becomes crisis.
- ✓ **The 2026 vintage of senior secured real estate credit in India is structurally safer and sounder than the previous vintage.**

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