



INDIAN REAL ESTATE MARKET

The changing scenario

April 2018

Indian real estate sector - shaping its way through changes

Year 2017 was a key year for Indian Real Estate in terms of Policy Reforms and its extensive impact on the sector. Though business cycles had been affected due to wait and watch by investors in anticipation of regulatory changes, but signs of recovery are now visible after the triple effects of demonetisation, RERA and GST have begun to shape up the sector with new standards of delivery, accountability and transparency.

Post implementation of these reforms, the market has observed following impacts so far:



More demand
for commercial
and affordable
housing sector



Consolidation
of land market



Preference for
ready to move-in
properties

Govt. initiatives - an effort to drive the sector

With all the states catching up to meet deadlines to the notified RERA rules, there is much fervour for the Act, that is expected to **bring transparency and discipline** to the sector. RERA stipulates creation of a single window system in states that will facilitate **time bound project clearances and approvals**. Overall, the Act is expected to bring stability and order in real estate industry

The Smart City Project, where there is a plan to **build 100 smart cities**, is a prime opportunity for the real estate companies.

While announcing Union Budget 2017-18, finance minister Arun Jaitley said the government plans to build 1 crore houses for the poor by 2019 along with the allocation of **Rs23,000 crore for Pradhan Mantri Awas Yojana** to fulfil its agenda of Housing for All by 2022. Incentives for affordable homes announced in the **budget will boost the realty market** in cities

The Government of India has relaxed the norms to allow **Foreign Direct Investment (FDI) in the construction development** sector and Township.

Housing for All by 2022 - Under the Sardar Patel Urban Housing Mission, **30 million houses will be built in India by 2022**, mostly for the economically weaker sections and lowincome groups, through public-private-partnership (PPP) and interest subsidy.

A **new public private partnerships (PPP) policy** with 8 PPP options has been unveiled by the Ministry of Housing and Urban Affairs, Government of India, to push for investments in the affordable housing segment.

The Reserve Bank of India has proposed to allow **banks to invest in real estate investment trusts (REITs) and infrastructure investment trusts (InvITs)** which is expected to benefit both real estate and banking sector in diversifying investor base and investment avenues respectively.

Given the impact of these developments, there is an environment of optimism and the stakeholders are feeling extremely positive of the upcoming market trends in the sector.

Market Drivers propelling the sector



India's **urban population as a percentage of total population** was c32.7% in 2015 and is expected **to rise to 40.0% by 2030**. India's urban population is likely to reach 60 crore by 2031 (37.7 crore today). But **growth in housing has been unable to keep pace**. Currently, the housing shortage in India is close to 1.9 crore units.

Demand for commercial property is being **driven by the country's economic growth**.



Government initiatives, **urban development policies and programmes** (Smart City, AMRUT) are expected to contribute to demand for real estate infrastructure.

Easy availability of project finance by Bank have increased demand for better and affordable infrastructure . Many **banks have cut home loan rates** to 8.25-9%, which is the lowest level in the last 8 years. Government has also announced an **interest subsidy of 3-4%** for first-time affordable housing buyers in 2017.



India's **per capita increasing year on year** making investment in the Real Estate sector easier.



The future ahead..

The Government of India along with the governments of the respective states has taken several initiatives to encourage the development in the sector.

The Smart City Project, is a prime opportunity for the real estate companies. In 2018, completion of existing projects will be prioritised over launching new ones, hence, 2018 looks promising for a good supply across major Indian markets.

The Government's efforts to boost "affordable housing" by conferring "infrastructure status" to this segment and announcing various tax incentives will continue to attract more prominent developers. 2018 is unlikely to see any price rise in 2018, however sales are likely to pick up in 2018.

The real estate sector is projected to receive Private Equity investments to the tune of US\$4 billion during this fiscal year. REITs are set to provide investment opportunities to smaller investors next year.

India's real estate markets are poised for growth in the medium-to-long term on the back of higher transparency and further consolidation.

Market size of real estate in India is expected to increase at a CAGR of 15.2% during FY2008-2028E and is estimated to be worth \$853 billion by 2028. Real estate contribution to India's GDP is estimated to be about 13% by 2028.

Real estate market size USD bn



Sources

Indian real estate 2018 CIRIL

Indian real estate KPMG-NAREDCO



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