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REAL ESTATE SECTOR IN INDIA

EDITED BY

SALONI ANGRAS
NATALIA OPERTI

The year 2021 registered maximum investment in the real estate sector in India. Almost 50% of the country's population is anticipated to be living in the cities by 2046, as per a UN report. It is expected to be a market of Eur 895 billion (app.), up from Eur 179 billion (app.) in 2021.

India is among the top 10 housing markets internationally.

The recent budget has allocated spending of Eur 5.7 billion and the construction of 8 million affordable homes. It also focuses on transparency and reduction of time in construction-related approvals in the realty sector.

Indian real estate will likely attract a considerable amount of FDI in the next two years with Eur 7.1 billion capital infusion by FY22.

Reasons for demand

Major global brands seek investment in the Indian real estate sector. Due to strong economic growth, it has witnessed a strong rebound despite the pandemic and registered a compound annual growth rate of 30%.

The country is at the point of becoming the global data hub. Real estate demand for data centres is expected to increase by 15-18 million sq. ft. by 2025.

In the third quarter of 2021, the new housing supply was 65,211 units, increased by 228% YoY (in eight major cities) compared with 19,865 units in the third quarter of the previous year.

The reasons for this splurge in demand are mentioned below:

- Growing demand for hi-street concept apart from malls and shopping centres which yield better rental returns.
- Transforming lifestyle and elevating urbanization,
- Low-interest rates
- 100 % FDI in retail
- Rise in demand for large-sized homes due to the pandemic.
- Companies' expansion plans
- Demand for co-working spaces
- Demand for the residential sector

Central government aims to build 20 million affordable houses, and this will further reinforce the demand for commercial and retail office space.

Places attracting real estate investment

Bengaluru is the preferred real estate investment destination followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

Net office absorption is highest in Delhi-NCR, Mumbai and Pune.

Sectors attracting real estate investment

- Information Technology sector
- Banking, Financial and Foreign Services Sector
- Manufacturing Sector
- Other services Sector
- Co-working sector

In the fourth quarter of FY 2021, the shares of private equity investments attracted by the various sectors were:

71% - Office segment

15% - Retail segment

7% - Residential and Warehousing

Government initiatives and other developments

- The Smart City Project envisions building 100 smart cities.
- Proposal to have a one-nation-one-registration for the real estate sector to facilitate land transactions and sale deed registration from anywhere in the country.
- A Eur 3.2 billion alternative investment fund (AIF) is set up to revive around 1,600 stalled housing projects.
- Setting up of Affordable Housing Fund (AHF) with an initial corpus of Eur 1.2 billion for micro-financing of the Housing Finance Companies.
- 425 Special Economic Zones were formalised at the beginning of 2021, of which 268 are operational at present. Most special economic zones (SEZs) are in the Information Technology/ Business Process Management sector.
- The RBI announced to keep interest rate unchanged at 4% in October 2021.
- In July 2021, India's Securities and Exchange Board lowered the minimum application value for Real Estate Investment Trusts from Eur 612.86 to Eur 122.61 – Eur 183.92 to make the market more accessible to small and retail investors.
- Section 24B of the Income Tax Act allows for a tax deduction of Eur 2376. 17 on the interest of a home loan.
- The PLI scheme will give impetus for new MSMEs, the upgradation of existing MSMEs, and shifting to industrial townships with proper support infrastructure for industrial units.
- The government's goal to create 6 million jobs over the next five years will lead to the growth of the office space demand.
- Growing focus on Tier 1 and Tier 2 cities apart from megacities.
- Revamped accounting and management systems to meet due diligence standards.

- The Real Estate Investment Trust (REIT) platform was approved by The Securities and Exchange Board of India (SEBI), allowing all kinds of investors to invest in the Indian real estate market.
- Set up a high-level committee of urban planners and institutes to formulate policies for sustainable urban development.
- Measures by state governments to reduce stamp duty and interest rate on home loans
- Easy investment norms
- Depreciation of the Indian rupee

The focus has moved to affordable housing, sustainable realty and climate action as central themes in the latest budget. There are many new opportunities for profitable real estate businesses with the latest incentives.

If you are interested in this topic,
please contact our Indian Desk RLVT@RLVT.IT

CONTACTS



SALONI ANGRAS

SALONI.ANGRAS@RLVT.IT



NATALIA OPERTI

NATALIA.OPERTI@RLVT.IT



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RLVT - ASSOCIAZIONE PROFESSIONALE

VIA AVOGADRO, 12/A - 10121 TORINO - ITALIA T. +39 011 55 67 222 - INFO@RLVT.IT