

Real Estate Industry Update

Real Estate Industry in India

The real estate sector is one of the most globally recognised sectors. In India, real estate is the second largest employer after agriculture and is slated to grow at 30 per cent over the next decade. The real estate sector comprises four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth of the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sec-

tors of the economy.

It is also expected that this sector will incur more non-resident Indian (NRI) investments in both the short term and the long term. Bengaluru is expected to be the most favoured property investment destination for NRIs, followed by Ahmeda-

bad, Pune, Chennai, Goa, Delhi and Dehradun. The Indian real estate market is expected to touch US\$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP).

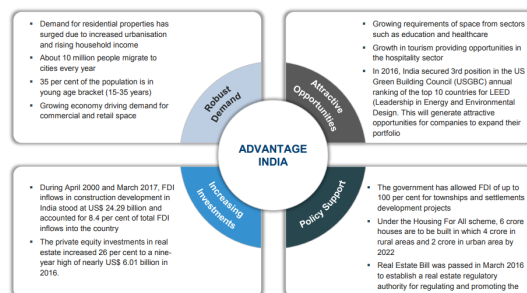
Trend Analysis (Stock-no. of rooms) ('000)



Source: Cushman and Wakefield

Source: IBEF

Real Estate Industry—IBEF Report



Notes: IPIWS, Report on Real Estate Sector in India - Corporate Catalyst India Pvt Ltd, Department of Industrial Policy and Promotion.

Source: IBEF

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Special points of interest:

- Real Estate IBEF Report
- Crisil Research Update
- ICRA Insight
- India's Property Market Is Poised for Rapid Growth

[Click here to access the report](#)

Industry Trends—Whitepapers

Title	Source	Abstract	Link
Industrialized delivery systems and the future of real estate	McKinsey	Real-estate developers should accept that business as they have known it is changing. By adopting new construction technologies, they can improve delivery and affordability.	Click here
India's Property Market Is Poised for Rapid Growth	Morgan Stanley	With a young workforce and an improving economy, India's real-estate market looks set for significant growth. Could it match China's development boom? India's young work force, which is nearing home-buying age and stands to benefit from the country's economic expansion, is expected to significantly drive the real-estate market over the next 10 years.	Click here
Residential real estate: An investible asset	KPMG	The real estate sector in India has been undergoing through a major transformation, owing to host of reforms undertaken by the central and the state governments, the Reserve Bank of India (RBI), and the Securities and Exchange Board of India. India has one of the largest housing market in the world, and contributes nearly six per cent to the Indian gross domestic product (GDP).	Click here
Indian Real Estate Sector	Grant Thornton	Indian real estate is likely to provide investment opportunity worth up to USD 77 billion through Real Estate Investment Trust (REIT) - eligible commercial - office and retail, properties across the country's top seven cities by 2020. Across these cities, including Mumbai, Delhi-NCR, Bengaluru and Pune, ready commercial space eligible for REIT investments amounts to 277 million square feet, accounting for less than half (44 per cent) of total office stock in India.	Click here
New Avenues in the Real Estate Sector in India	Ernst & Young	Due to rapid urbanization, positive demographics and rising income levels, the Indian real estate sector has attracted significant investment over the past few years. The contribution of the real estate sector to India's gross domestic product (GDP) has been estimated at 6.3% in 2013 and the segment is expected to generate 7.6 million jobs this year.	Click here

GST impact on housing - Crisil Research

Under the Goods and Services Tax (GST), emphasis on value addition; amalgamation of a large number of central and state taxes into a single tax; and set-off allowance of prior-stage taxes will mitigate the ill effects of cascading. This will also allow free flow of tax credit in intra and inter-state transactions, leading to a more efficient and leaner tax structure. The sector is likely to witness increase in share of organized players on account of GST implementation. As supply from registered taxpayers only will be allowed for input tax credit, businesses and stakeholders will insist on registration of their suppliers and traders.

RERA likely to impact performance of developers in FY18: ICRA

Mumbai: The transition to the new realty regulatory framework under the Real Estate (Regulation and Development) Act, or RERA, is expected to slowdown the new project launches and increase working capital requirements of developers, thus creating pressure on their operational performance during this fiscal, said rating agency ICRA.

The RERA, which came into effect from 1 May, is likely to increase customer confidence and improve demand prospects over the long term, but in the short-term, it may pose various challenges for developers, the rating agency said.

"The current transition period of RERA implementation is expected to be challenging for developers as they need to realign their business operations to comply with the new regulations," said ICRA senior vice-president and group head K. Ravi-chandran.

He said the constraints imposed by the Act will adversely impact the business model of unorganised developers and it can be expected that there will be some level of consolidation in the industry. "This will benefit larger developers who have the resources and financial flexibility to withstand the near term challenges and scale up execution levels as required."

According to ICRA, implementation of the Act has seen delayed as very few states have been able to create the required regulatory infrastructure till now. "Moreover, the transition to the new regulatory framework is expected to constrict the new project launches and increase working capital requirements of developers," ICRA vice-president and sector head Shubham Jain said.

These short-term challenges are expected to put pressure on the operational performance of developers during FY2018, he added. Under the Act, state governments need to frame rules with respect to the various provisions, and set up a state level regulatory authority to implement these norms.

While many states have notified their real estate rules, certain states are yet to be complete this step. Even fewer states have set up the regulatory authority as required under the Act. "The registration process for ongoing and new projects has been lacklustre. As all ongoing realty projects are required to be registered by 31 July, the absence of the requisite regulatory infrastructure can delay registrations affecting developers in such states," Jain said.

As per ICRA, the provisions of the Act will also significantly impact developers' financial profile as it will raise their working capital requirements and increase reliance on equity or debt financing. "With the commencement certificate being a pre-requisite for registration and sale of projects, developers will no longer be able to part-finance some of the pre-development costs with customer advances.

"Also, the restrictions on withdrawal of customer advances will reduce cash flow fungibility across projects and increase working capital requirements," the rating firm said. Developers will have to enhance or scale up project execution capabilities to ensure that all project commitments are met in a timely manner, it said.

Source Link: <http://www.livemint.com/Money/hXIGNOUuIIUhiROZ9IifEI/RERA-likely-to-impact-performance-of-developers-in-FY18-ICR.html>



Aviation Industry —News & Deals

News

- [India's realty milestones](#)
- [Real estate may turn around in India in 2017, says report](#)
- [Sentiment in real estate is positive for the medium-to long-term period](#)

Deals

- [Mirae to enter India realty business with \\$500 million investment](#)
- [Investment in real estate touched Rs 16,008 cr](#)
- [Anarock Property Consultants acquires leading real estate broking firm LJ Hooker's Indian operations - Redwoods](#)

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