

# Building the India of tomorrow

Shakti Nath (Managing Director, Logix Group) talks about building the bigger, better India of tomorrow

In recent years, the real estate sector in India has come a long way by becoming one of the fastest growing markets in the world. It is not only successfully attracting domestic real estate developers, but foreign investors as well. The growth of the industry is attributed mainly to a large population base, rising income level and rapid urbanization.

The real estate sector has transformed from being unorganized to a dynamic and organized sector over the past decade. Government policies have been instrumental in providing support after recognizing the need for infrastructure development in order to ensure better standard of living for its citizens. In addition to this, adequate infrastructure forms a prerequisite for sustaining the long-term momentum of the economy.

According to Department of Industrial Policy and Promotion, real estate market in India is expected to touch US\$ 180 billion by 2020. FDI in the sector is expected to increase to US\$ 25 billion in next 10 years, but there is much that can be done on the policy front to boost things further. After a prolonged slowdown, the real estate industry is now hoping that new measures by the government such as 'Housing for All by 2022 (Pradhan Mantri Awas Yojana)' and opening up of foreign direct investment alongside softening of interest rates could bring in the much needed push for the sector.

Other changes that may make the situation better are seeing Real Estate recognized as a country, with the government equally responsible for its growth. The industry is also crying out loud for simplified and rationalized procedures for green clearances from the concerned authorities/departments. So the faster the reforms are initiated the faster the economic growth. There is no place for red tapism and the relaxation in External Commercial Borrowing [ECB] norms for affordable housing and the proposal to further relax FDI norms for housing projects will ease the flow of funds. From a consumer point of view, Tax incentives shall be very effective



in encouraging people to save and invest more of their income.

The Government of India has been supportive to the real estate sector. According to a news story in Economic Times in August 2015, the Union Cabinet approved 100 Smart City Projects in India. The Government has also raised FDI limits for townships and settlements development projects to 100 per cent. In Union Budget 2015-16, the government allocated US\$ 3.72 billion for housing and urban development. Real estate projects within the Special Economic Zone (SEZ) are also permitted 100 per cent FDI.

Globally positioning India as an investment destination and improving India's diplomatic and trade relation, our Prime Minister Mr. Narendra Modi's efforts have helped India attract more FDI. One of the drivers of growth might be the reduction of costs in the Construction Industry in India by using Prefabricated and Innovative technologies. A few others impacting the real estate sector are lower interest rates (RBI cut repo rate by 50 basis points to 6.75%), easy and flexible payment plans for customers, the

emergence of Tier II & Tier III cities, an increase in the availability of affordable homes, increased FDI in realty and strategic mergers and acquisitions in the real estate industry.

The emergence of nuclear families, rapid urbanization and rising household income are few of the key drivers for growth in all spheres of real estate, including residential, commercial and retail. Technology has become such an integral part of both business and pleasure. Consumers expect to bank online, shop online, communicate online, etc. Real estate consumers' expectations are that the transaction experience will be convenient, streamlined, and in a lot of ways, reliant on technology.

Buy-to-let has seen a resurgence in recent times, as it looks as an income investment for those with enough money to raise a big deposit buy-to-let looks attractive, especially compared to low savings rates and stock market volatility. 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.