



Accelerated growth in India - Paving way for 'homes' to NRIs

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Owing to the amount of uncertainty in the developed markets such as Europe and US, investors are now seeking alternate investment options. With a stable government and a growing economy rate of **7.4% in 2018**, as mentioned by **The International Monetary Fund (IMF)**, India is poised to attract investments in the coming years. NRIs are the major investors who contribute 40% of their investment portfolio in real estate sector. Market experts anticipate NRI investments in real estate, especially in housing sector, owing to the implementation of Real Estate (Regulation and Development) Act. This increased transparency has motivated NRI investment in residential properties. Investments by NRIs' have further been boosted with the implementation of GST, Benami Act, REIT and few government initiatives like demonetisation.

As per CBRE, the recent policy reforms, ease in processes, a drop in mortgage rates for housing coupled with developers' willingness to cater to the global taste of NRI investors are adding momentum to the market. According to the JLL report, investment inflows in the

housing sector since 2014 have been Rs590 billion, about 47 percent of the total invested money in real estate.

Factors Boosting Real Estate Investment by NRIs

India is one of the fastest growing economies in the world and the housing demand in India is very high and expected to further increase due to rapid urbanization. The current Government has been viewed as investor friendly and transformative decisions such as DeMo and GST are instilling a sense of confidence in NRI community. While other economies have faced challenges, India continues to grow and property value has steadily appreciated here making it one of the safest and high return yielding assets. Also, with increased transparency on account of reputed corporate players entering the real estate market, there is a sense of comfort that these developers will deliver on their promise.

Earlier, the lack of transparency in the realty sector, delay in execution of projects, no update from builders, misleading marketing strategies and the absence of accountability were some of the fears expressed by NRIs. The NRIs are now keen on investing in residential projects because RERA has helped investors monitor all activities. This community has been traditionally attracted to investments in the real estate sector because of currency exchange rate and easy laws for investments by NRIs under the Foreign Exchange Management Act. However, they have become all the more confident about investing in residential real estate post-RERA implementation. In order to boost the growing housing demand, recently, the government announced the Development Plan in which it is providing more FSI and additional supply of land for development. With increase in FSI, potential home buyers will get more options to choose homes as the new development plan has opened up new pockets for real estate expansion. This will further augment the overall growth of the city, thus providing NRI investors with various options and ROI for appreciation.

Another factor boosting growth is that NRIs can still manage to save tax like a regular Indian resident while investing in real estate in India. Tax deduction on home loans on principle repayment and interest component can be claimed by NRIs. Pondering on the scenario, developers have started rolling out highly attractive offers which has further worked very well for NRI community interested in real estate investment. Real estate sector has consistently showcased exponential growth on return on investment and a sector which has seen huge investments through FDI's. Along with these, a transparent real estate sector, quality of amenities meeting global standards, easy accessibility to loans amongst many other factors have helped create a favorable market for investment. As one of the fastest growing economies in the South Asian region the property rates are predicted to increase.

Developers Designing Customized Homes

With the increase in demand, developers will have to up their ante and bring in newer concepts of housing in Indian realty. Soon there will be more designer labels, high quality exteriors and interiors and highly evolved services that can help developers to differentiate their offerings from rest of the lot and cater to the taste of their high end customer base.

Additionally, some of them are also offering customized homes and allied services to attract NRI investment. Developers are also aggressively marketing their properties in the international arena through property shows, participation in events and exhibition and also by opening representative offices in various international locations. This helps in further encouraging NRIs interest in investing in residential homes in India.

Tax Exemption and Retirement Benefits

Apart from NRIs investing in real estate in India and managing to save tax like a regular Indian resident; a property sold after two years from the date of purchase, profit so earned on the capital gain is exempted from the income tax. Though reverse mortgage is a more popular concept in the US, India is still gearing up for this kind of system. NRIs that tend to plan their retirement can invest in India and take advantage of reverse mortgage. The amount taken from the bank as a consequence of this type of mortgage is not factored in the taxable income of NRIs. This way, ageing NRIs can enjoy the benefits of their property in India. At the same time, they can take money from banks as a part of reverse mortgage of the property.

Other Policies Impacting the Sector

The RBI rules regarding FDI and FEMA (Foreign Exchange Management Act) policies have become more NRI friendly. With the implementation of GST, a uniform, simple and single tax is now applicable. NRIs don't have to go through the hassle of deciphering several indirect taxes. As per the refurbished act, a benami property is now considered illegal if the person on whose name the property is bought is unaware of such a transaction and/ or the person paying for it is untraceable and fake. This is really helpful for NRIs who are planning to buy a pre-owned property.

In Conclusion

With so many reforms taking place in the sector the real estate sector is poised to witness an exponential growth in the coming years. The overall sentiment has been boosted owing to the multitude of reforms undertaken by the Government and the regulations have also been greatly simplified. Lenient FEMA policies and relaxation of RBI laws have revived NRI investment in the sector.

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