



**SECOVI SP**  
**O SINDICATO DA HABITAÇÃO**  
**Desde 1946**

**SECOVI Convention 2017**

**Global Power Players:**  
**Economic Inflow & Outflow: India**

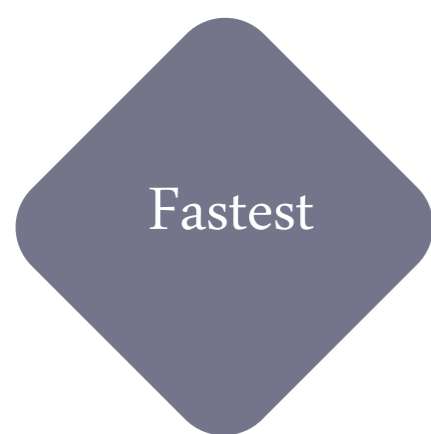


**Farook Mahmood**  
Chairman & Managing  
Director of Silverline Group

2017-18 FIABCI World  
President

# India Economy: By the Numbers

Despite slight downgrade due to monetary policy change, India remains fastest growing economy.



**Growing G20  
Economy**  
June 2017



**Economic  
Growth**  
Down slightly



**Projected  
Economic Growth**  
By 2019-20

Sources: World Bank, OECD, Government of India

# India Investment: By the Numbers

Topmost destination for foreign investment.  
Leading sectors: Financial Services,  
Technology & **Real Estate**



**FDI Rules**  
eased across 21  
sectors



**PE/CC**  
**Investments**  
Jan. – Jun. 2017

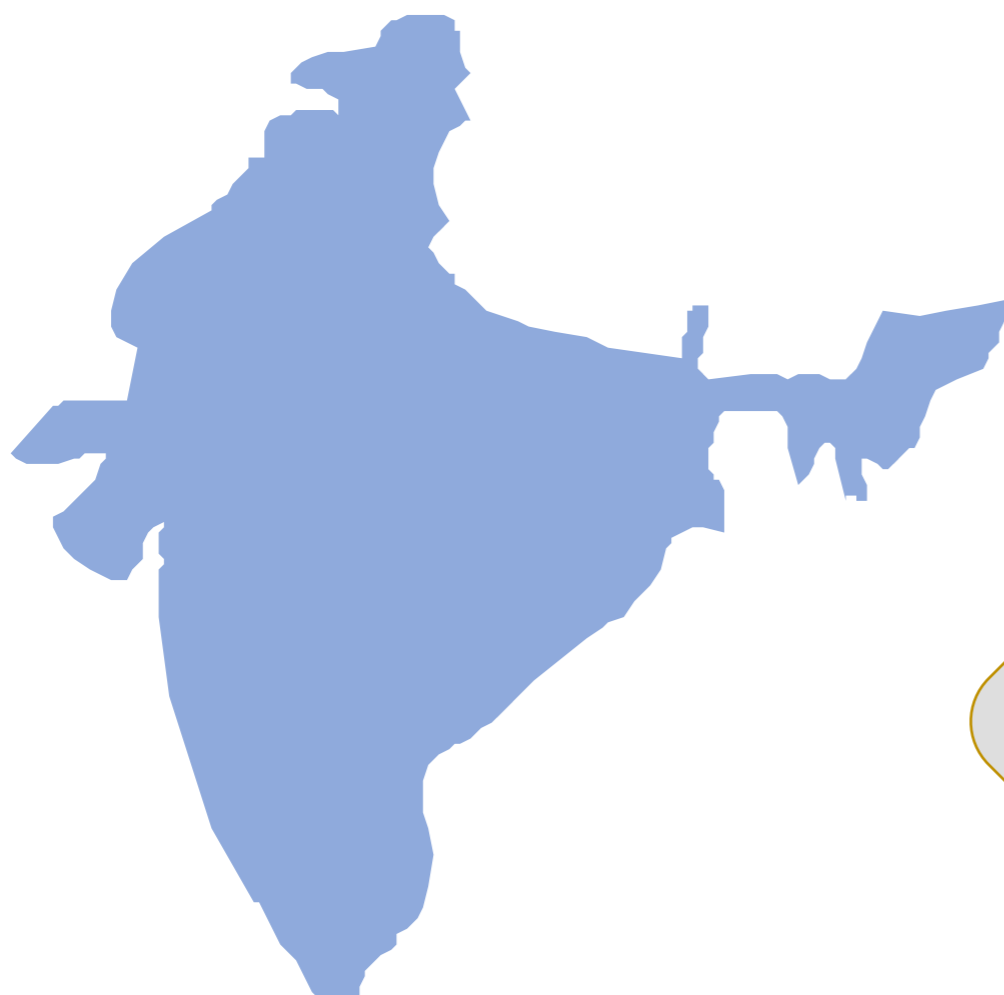


**FDI Inflows**  
Fiscal year  
2016-17

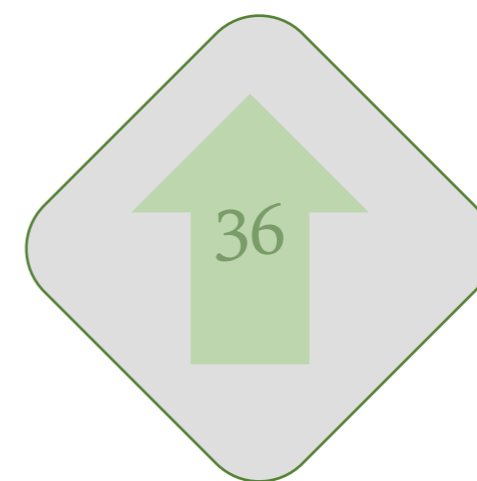
Sources: EY, Government of India

# Investment in Indian Real Estate

Following a recent slowdown of FDI, foreign investment interest is on the rise



**India's ranking**  
for developing  
Asia inflows



**JLL Transparency  
Index ranking, 2016**  
For Tier 1 cities;  
up from 40<sup>th</sup> in 2014

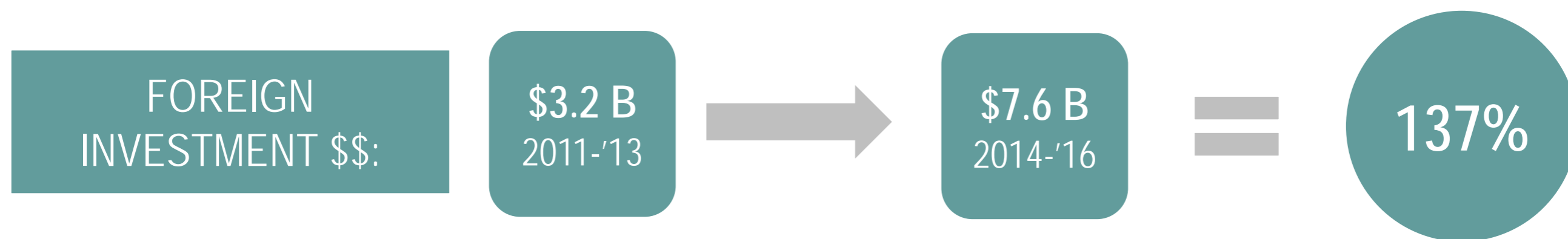


**2017 projected  
FDI in real estate  
sector**

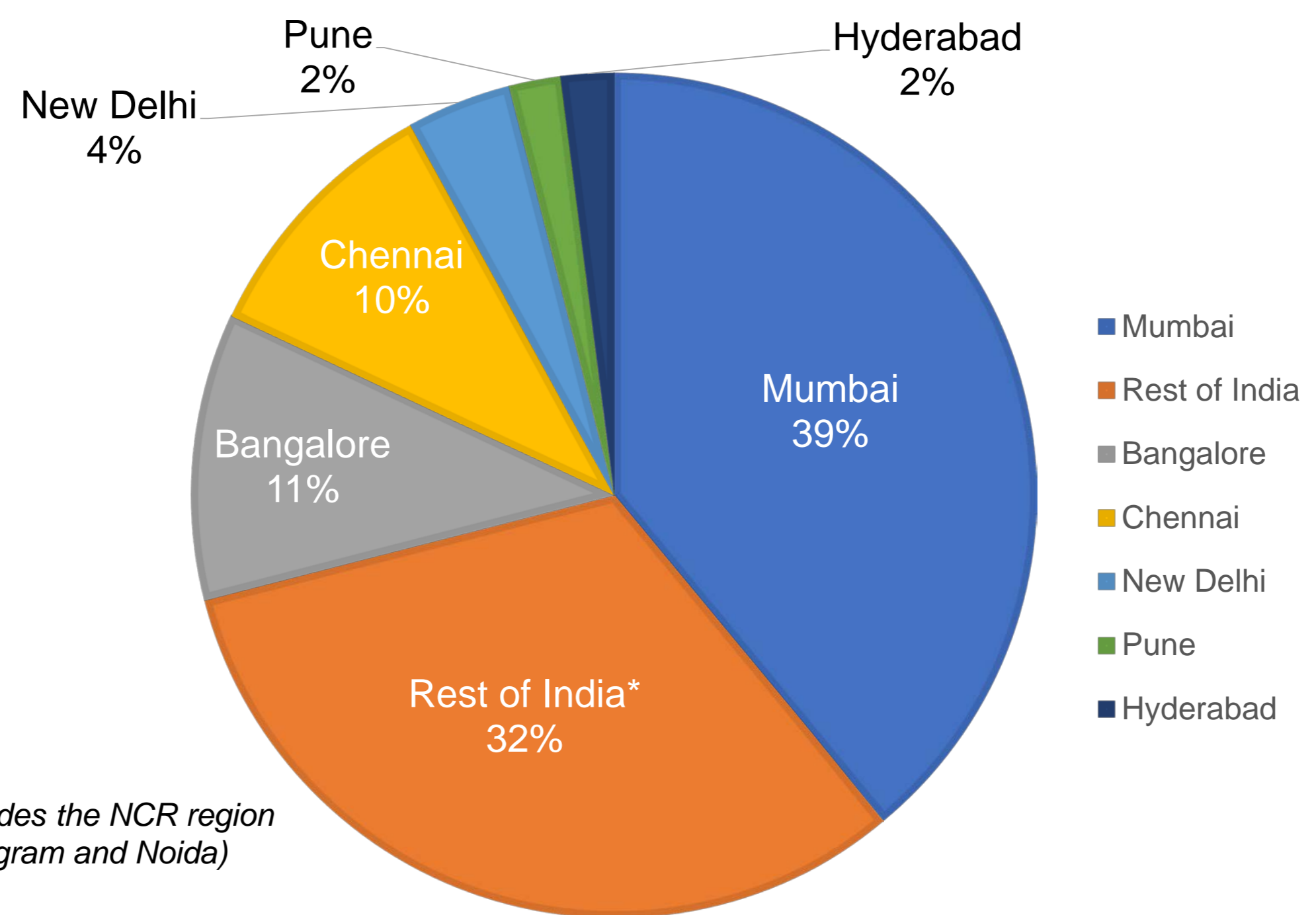
Sources: UN World Investment Report, 2016; JLL 2016 Global Real Estate Transparency Index; India Brand Equity Foundation

# Total Real Estate Investment into India (Foreign & Domestic)

Country of Origin	2008	2009	2010	2011	2012	2013	2014	2015	2016
India	67%	65%	68%	84%	72%	71%	72%	56%	49%
USA	12%	9%	7%	7%	15%	14%	5%	15%	22%
Singapore	0%	3%	0%	0%	3%	8%	5%	7%	9%
Canada	0%	0%	0%	0%	0%	0%	0%	8%	9%
Rest of World	21%	24%	25%	8%	9%	7%	10%	13%	11%
<b>TOTAL (\$bn)</b>	<b>6.57</b>	<b>2.98</b>	<b>5.79</b>	<b>4.89</b>	<b>4.69</b>	<b>1.78</b>	<b>5.21</b>	<b>4.43</b>	<b>5.51</b>



# Foreign Investment in Real Estate by City



Source: Knight Frank Active Capital Report

# Impact of Government Policy on Real Estate Sector



## Demonetization

To clamp down on black money hoarders, Rs 500 and Rs 1,000 currency notes were demonetized. The predicted cooling effect did not happen.



## GST

2016 passage of goods and services tax has been ratified by all but 1 state. GST expected to revive buyer and investor interest.



## REIT Guidelines

Revised 2016 guidelines relaxed and clarified limitations and added asset classes. Expected to lead to increased investor interest and better quality assets.



## RERA

Real Estate Regulation Act passed in 2016 designed to boost investments and protect buyers. Expected to improve transparency and buyer confidence.

# Demonetization: Short-term Impact



## Residential

- Infuse transparency in pricing
- Increase affordability
- Rationalization of mortgage rates
- Attractive developer schemes / payment plans



## Retail

- Short-term dip; long-term consumption remains intact
- Positive consumer confidence patterns



## Office

- Limited impact
- Increased participation from institutional players due to transparency



## Industrial/Warehousing

- Supply slippages expected due to elimination of cash component
- Limited availability of quality supply
- Good opportunity for organized players



## Investment Markets

- Lending rates % terms more rational/flexible
- Should spur organized capital



# Good & Services Tax (GST)



## For the Industry

- Increased transparency in taxation
- Some uncertainty remains
- Cornerstone for possible ratings upgrade in coming years

## For Developers

- Developer upfront taxation is now lower
- Reduced cost of logistics
- Tax credits will help profit margins
- Simplified calculations

## Positive impact for warehouse sector

- Consolidation and shift to larger warehouses

# REIT Guidelines

- Increase in share of under-construction properties in portfolio from 10% – 20%
- Minimum cap of 200 on # of unit holders
- Elimination of limit of # of sponsors
- REIT refund policy
- Revised definition of infrastructure under “real estate” or “property”



# Real Estate Regulatory Act



- Historic step after decade-long discussion
  - Well-meaning objectives
  - Initial confusion and lack of institutional infrastructure slowed registration of properties for sale
  - System still being modified; some states delayed registration deadline
- Benefit to industry:
  - Speedy settlement of disputes
  - Boost foreign and domestic investment due to improved transparency
  - Expected increase in housing sales, due to improved buyer confidence
  - Weed out nonserious and unscrupulous players
- Consumer pressure may help speed state implementation

# Affordable Housing Attracting Foreign Investors due to new Policies



## Affordable Housing given “infrastructure” status

- Easier access to capital at lower rate
- Access to viability gap funding and tax incentives
- Reduced capital gains



## Increased transparency due to RERA



## Formalization of sector and access to finance due to GST

# Investor Response to Reforms



- Foreign institutional investors and sovereign & pension funds changing portfolio allocation strategy to allow exposure to Indian real estate
- Pension and PE funds focused on commercial assets and under-construction residential developments
- Key industry players preparing for long-term investments
  - Qatar Holdings
  - CPPIB
  - Blackstone, Ivanhoe Cambridge
  - APG
  - Xander
- Domestic and foreign investors raising funds

# Bottom Line Impact to Policy Reforms

## Projected Surplus

**\$ 80.5B**



Projected surplus in India's capital account (up from \$38B last year). Can fund \$27B deficit and lead to strengthening of the INR.

## Portfolio Deposits

**\$ 30B**



Portfolio inflows expected to surge to \$30B from \$7.6B in fiscal 2017, driven by confidence-boosting structural reforms, a stable currency and economic & political stability.

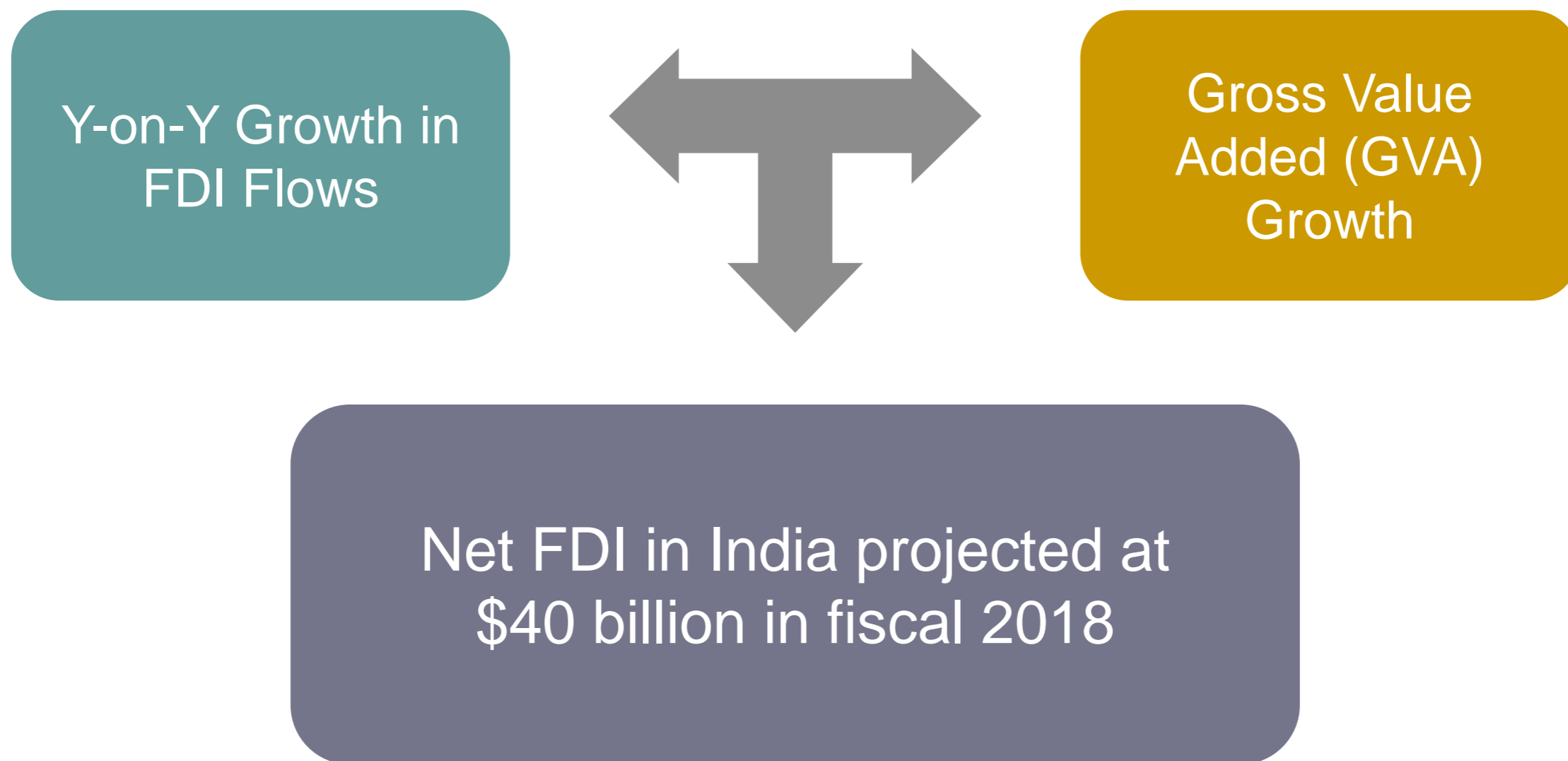
## Non-Resident Indian Deposits

**\$ 15B**



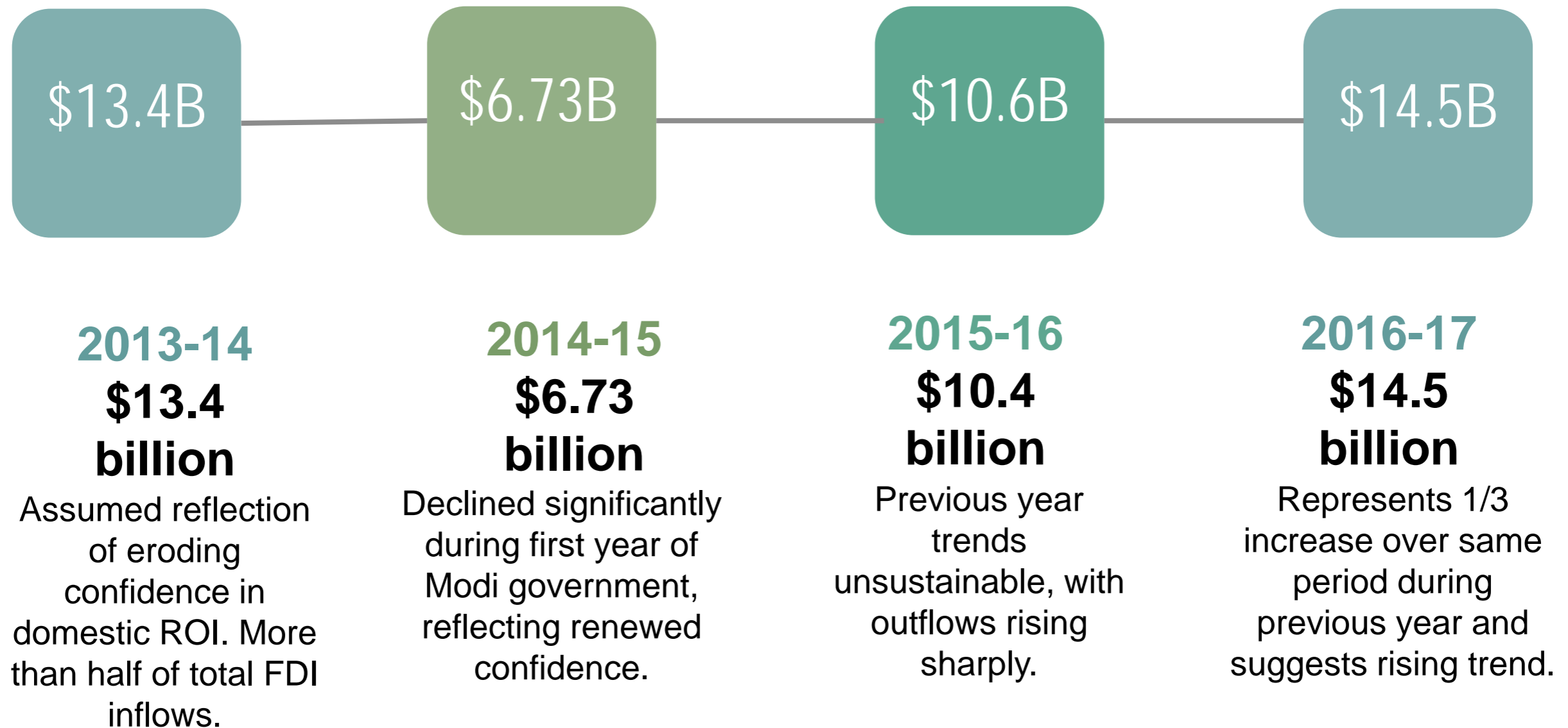
NRI deposits are expected to be ~\$15B in fiscal 2018, relative to last year's outflow of \$12.4B, due to maturity of deposits raised under a 2013 concessional swap window.

# Correlation between FDI Inflows and GVA Growth



Source: Forbes, July 2017

# Outflows: Trends and Factors





# Outflow Destinations (All Sectors)

Country	2015-16	2016-17	2017-18 (April – June)
Mauritius	1.75 B	4.86 B	549 M
Singapore	1.31 B	2.82 B	525 M
USA	1.64 B	1.75 B	514 M
United Kingdom	634 M	1.31 B	185 M
UAE	1.75 B	771 M	82 M
Netherlands	1.15 B	730 M	290 M
Switzerland	725 M	491 M	13 M
Russia	223 M	306 M	129 M
Jersey	99 M	95 M	70 M
British Virgin Islands	127 M	95 M	4 M
<b>TOTAL</b>	<b>10.6 B</b>	<b>14.5 B</b>	<b>2.6 B</b>

Source: India Ministry of Finance

# Outflow Sectors

Sector	2015-16	2016-17	2017-18 (April – June)
Manufacturing	4.23 B	3.29 B	715 M
Financial, Insurance & Business Services	2.38 B	4.46 B	530 M
Wholesale, Retail Trade, Restaurants & Hotels	1.45 B	1.91 B	241 M
Transport, Storage & Communication Services	735 M	1.44 B	545 M
Agriculture & Mining	401 M	1.75 B	405 M
Community, Social & Personal Services	575 M	650 M	66 M
Electricity, Gas & Water	574 M	619 M	6.5 M
<b>Construction</b>	<b>237 M</b>	<b>293 M</b>	<b>110 M</b>
Misc.	54 M	123 M	19 M

Source: India Ministry of Finance



Thank you!