

Can 'no' to gold and equity be 'yes' to real estate

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Intense volatility in stock market; increase in import duty on gold and silver; weak rupee; RBI's Liberalised Remittance Scheme (LRS) no longer applicable on purchase of immovable properties abroad

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Are these developments indicative to emerging scenario? Investors are losing confidence in the asset classes- gold, silver and equities. Indian residents who could have invested in properties abroad through LRS also do not have that option left. At the other end, the fall of rupee against dollar makes NRI and foreign investment in India all the more viable.

By 2016, the total annual savings pool of Indians will reach Rs 18.50 lakh crore, as per McKinsey research, and if other popular asset classes lose sheen, the real estate market appears to be headed towards an unprecedented opportunity.

"The level of interest from NRIs from the US and Singapore is deepening," says Arjun Aggarwal, director and CEO of Bangalore-based Bhartiya Urban. Observations of Mumbai-based Jaycee Homes' executive director Diipesh Bhagtani and Gurgaon-based Ramprastha Group's CEO Nikhil Jain were no different.

And why not, for an NRI, buying a property in India has got cheaper by almost 15-20 per cent. For instance, earlier for a Rs 1-crore property, an NRI had to pay USD1.82 lakh at the rate of Rs 55 per dollar. But now with one dollar equal to Rs 62, the same property can be bought at USD1.61 lakh. An NRI can further negotiate for extra discounts, especially in the luxury market, where developers do not shy away from slashing their margins to get the deal done.

However, the large ticket size could act as a bottleneck. After all, real estate cannot be purchased like gold and equities. "The country needs Real Estate Investment Trusts (REITs)," says Neeraj Bansal, partner, KPMG India. As it is through REITs, real estate can be bought in units just like a mutual fund.

Interestingly, in July, the SEBI revealed its plans to launch REITs on Alternative Investment Fund platform. The regulator has suffered two unsuccessful attempts to launch REITs in India, in the recent past.

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