



BENNETT, COLEMAN & CO LTD • ESTABLISHED 1838
EPAPER.TIMESOFINDIA.COM

TIMES PROPERTY

Delhi, February 9, 2019
Advertorial, Property Promotional Feature

YOUR REALTY COMPANION SINCE 1995

Market revival depends on regular POLICY REVIEW AND UPGRADE

Total revival of the real estate sector in the country depends on constant review of current policies and subsequent improvement and clarity, market leaders say

The residential inventory overhang has reduced to a year-low from 47 months in Q4 2017 to 33 months in Q4 2018 across the top seven cities, according to a recent update from ANAROCK Property Consultants.

While there is a sense of recovery, the market is far from a total revival. It needs a closer review of policies and regulations to effectively meet the target of 'Housing for all by 2022', say developers and experts.

"Having absorbed a lot of the impact of various structural changes, the Indian real estate sector seemed poised to grow from the previous year," says Anuj Puri, chairman of ANAROCK Property Consultants.

"However, the issue of stalled projects and liquidity crisis continued to confound the housing sector in 2018, though it continued its transition into a relatively more transparent and end-user driven market," he added.

A number of sector leaders and experts agree with Puri and believe the answer lies in pushing for the promotion and supply of affordable housing in the country. "For a complete revival and meeting the country's housing target, affordable housing policy should be further eased and a time-bound, single window clearance mechanism should be introduced to avoid delays in the segment," says Pradeep Aggarwal, co-founder and chairman of Signature Global and chairman of, National Council on Affordable Housing, Assocham.

In the past two years, as the market has continued to become more transparent, there has been a gradual shift to launch affordable housing projects. Developers have realigned their projects to real market demand.

Housing for all by 2022' is one of the pet projects of the government and it wants to deliver 10 million houses under this program. Out of 10 million, 95% are to be constructed for Economically Weaker Sections (EWS) and Low-Income Groups (LIG).

"Builders have been extremely cautious about launching projects to align supply with the existing buyer demand. This helped sales pick up momentum in 2018. Simultaneously, builders reduced the average property sizes to align their offerings with the highly-incentivized affordable housing bracket. The affordable segment spearheaded residential growth in 2018," adds Puri.

"The last few years, especially 2017 & 2018 were the turning point for Indian Real Estate. With RERA & GST already in place the sector saw a major revival in terms of demand. The trusted brands in realty sector saw huge sales, in fact our first three quarters of fiscal 2018 saw humongous sales, proving that the much awaited demand for realty sector is back," says Manoj Gaur, MD of Gaur's Group and VP of Credai National.



All Photos: Thinkstock

Gaur's company, he says, "have major plans for affordable housing and have already announced an investment of over Rs 1000 crores and will be launching multiple affordable housing projects in FY 19-20." There are many like Gaur who plan to enter the segment.

Some say that the government should include projects approved on or after the 1st day of June 2015 under Section 80IBA, when PMAY (Pradhan Mantri Awas Yojana) was launched, instead of 1st June 2016 prescribed. Section's applicability extended to projects upto 200 sq mtr carpet area, instead of the current limit of 30 sq mtr for four metros and 60 sq mtr for other cities. This way the scheme will cover all segments of home buyers.

And it is not just affordable housing. The revival of market, however, doesn't rest simply on revising affordable housing and policies around them. There is a more that is required.

A number of policy reforms that have been introduced in the past two to three years such as the goods and services tax (GST), further simplification of REITs (Real Estate Investment Trusts) regulations, need further clarity.

Hence, there is a need to lower the goods and services tax to meet the government's target of 'Housing for All by 2022'.

Shishir Bajjal, chairman and managing director of Knight Frank India, says: "As the affordability of the LIG and EWS segment and the house value is low, the impact of the slightest upward cost pressure is magnified and becomes a deal

breaker. The current GST rate of 12% coupled with 1/3rd abatement for land, making it an effective GST of 8%, is adding huge upwards pressure on the overall cost of house. We recommend lowering of the GST rates for affordable housing projects to effective 6% by enhancing the abatement for land to 50%. This shall provide a boost to the cause of housing for all by 2022."

Abatement for land in Service Tax regime, before GST, was 70-75% of the property value, including land cost, and service tax was imposed only on 30-35% of the property value. As land cost varies from cities to cities and in some cities it goes up to 80% of the total property value, it should therefore be increased.

Experts are of the view that in addition to affordable housing sector, it is equally important to make the market profitable for investors. While commercial segment should be strengthened through a number of measures, clearing the hurdles of wider REITs implementation holds the key.

"REITs have the potential to enhance the supply of commercial real estate - an enabler for the employment ecosystem. For unit holders, the long-term capital gains holding period for REIT units should be brought down from 3 years to 1 year (at par with equity investments). This shall make REITs more attractive for the investors," adds Bajjal of Knight Frank. With more investments, commercial real estate will continue to see development of quality offices.

A stable economy, liquidity infusion and growth of offices and affordable housing will support the industry in an overall growth and revival.

- Ankit Sharma

