

Local gains of foreign investment

100 per cent FDI in construction sector is a healthy sign for the realty sector

The easing of norms for FDI in construction by the government earlier this week will prove to be a firm step towards realising the goals of setting up 100 smart cities besides putting the realty sector on the path of achieving 'housing for all'. The Cabinet relaxed FDI rules in construction sector by reducing minimum built-up area as well as capital requirement and easing the exit norms.

The move has been hailed as a positive one sector, which has been reeling under a slowdown for the past 2-3 years. It will help developers in raising funds to complete projects.

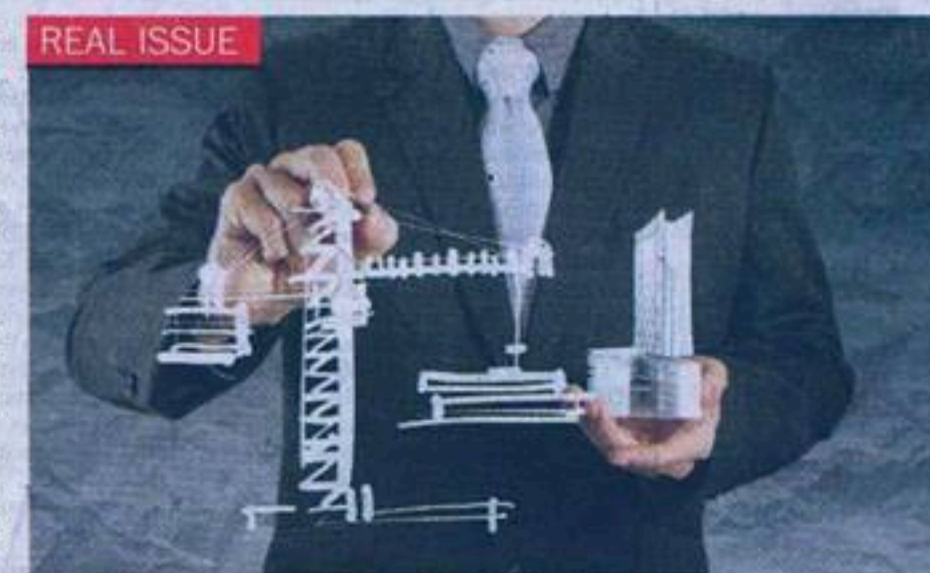
Realtors' body NAREDCO said new Foreign Direct Investment (FDI) in the real estate sector could jump over two-fold in the next one year with easing of FDI rules.

"Reduction in minimum built-up area to 20,000 sq meters from 50,000 sq meters and reduction in capital investment to \$5 million from \$10 million has the potential to more than double FDI inflows into housing, commercial real estate, hotels and townships in the next one year," NAREDCO Chairman Navin Raheja said in a statement.

In 2013-14 fiscal, the FDI in construction development, which include housing and township, was ₹1.22 billion.

During April-August period of this fiscal, the sector has attracted ₹446 million worth FDI.

Hailing the move, India's largest realty major DLF Group Executive Director Rajeev Talwar said, "Praise to the Finance Minister for being so prompt in meeting the requirements of this industry in his budget announcement, then



approval for Real Estate Investment Trusts and now relaxation in FDI norm.

There will be huge amount of FDI inflow in this sector".

Unitech MD Sanjay Chandra said this would "surely provide a boost to the real estate industry and go a long way in fulfilling Prime Minister Narendra Modi's dream of creating smart cities throughout the country."

Permission to sell completed projects to foreign investors will help Indian developers get much needed liquidity into the system, Chandra added.

Terming the decision as a positive development, realty consultant CBRE South Asia CMD Anshuman Magazine said, "Real estate and infrastructure industry is starved of funds. This announcement will widen the base of investors, especially mid-sized financial institutions."

It would also encourage new development projects in prime areas of large cities and in tier II towns, Magazine added.

Vinay Jain, CMD, AVJ Group, said, "This is a revo-

lutionary step and developers can increase the development of low-cost and affordable housing after this move by the government. The inflow of foreign investment will trigger growth across various sectors generating employment and thereby giving a boost to the entire economic scenario in the country."

Abhay Kumar, CMD, Gryha Praveesh, said, "The reduction of the minimum built-up area to 20,000 sq. metres will give developers more space to work, particularly in urban areas where there is an issue of area deficiency as well as high cost of area. Also, the absorption of the undertakings which submit 30 per cent of their aggregate expense to moderate lodging is a measure which will give an enormous push to the affordable housing sector."

Rajesh Goyal, MD RG Group, said, "The significant relaxation in the hitherto applicable terms and conditions in the case of FDI in construction is a relief for the subdued scenario in the real estate sector. The reduction in the conditions of already exist-

ing minimum 50,000 sqft. area to 20,000 sqft. of area shall prove a breather to the sector as it shall directly boost the affordable housing in the country. Consequently with the influx of the money available to the projects, the progress shall be uninterrupted and shall improve the atmosphere of confidence of the buyer, whose trust has somehow shaken in the industry".

Ajay Kumar, CMD Ace Group, said, "The decision of the govt. regarding the relaxation of terms and conditions in the case of FDI in construction shall help regain the positive market sentiment as the new conditions shall pave the way for the availability of funds to carry-on the projects in time which was otherwise losing ground for one reason or the other. The market shall now become vibrant and full of activity and shall help in realizing the dream of the govt. of providing the affordable housing to the people of the country".

Property consultant Cushman & Wakefield said the move is likely to give filip to real estate sector. This step would be beneficial for

the next phase of urban development.

Audit firm KPMG India Partner and Head, Real Estate and Construction Sector Neeraj Bansal said, "Following up with REITs norms, the recent relaxation of FDI norms in construction development is expected to provide an immediate breather to the cash-strapped real estate sector.

"The reform would now allow foreign investors to invest in smaller projects spread over land parcel of about 3-4 acres," he added.

KPMG expects the policy to support housing and commercial projects in metro cities such as Delhi and Mumbai, where project size is generally small, yet requires heavy investment due to expensive land parcels and high construction cost.

Echoing similar views, Shriram Properties MD M Murali said, "I would say this is an excellent positive announcement the government has made appreciating the contribution of construction sector to the economy and the nation as well.

"Easy and more money to the construction sector would mean — more jobs, more houses. Needless to say the still faster growth of ancillary industries," he added.

Supertech CMD RK Arora said, "With this positive announcement and REITs coming soon, we believe foreign players will not hesitate in investing to India." Gaursons MD Manoj Gaur said the Centre has taken a big step by relaxing the FDI policy. "These new changes will help to attract money in the sector that will work as soothing breeze in starving sector of real estate."

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SARE Homes MD Vineet Relia said the relaxation of the two norms will improve the overall investor sentiments and increase the inflow of investments.

Prateek group Chairman and Vice-President, CREDAI NCR, Western UP Division, Prashant Tiwari said the much needed breather for the sector will further entice developers to be more aggressive in the segment and take development beyond metro cities.

"With this improved cas-

flow, developers will now be able to expedite the construction of delayed projects and closing in of the increasing gap between demand and supply," he added.

Industry bodies hailed the government's decision to ease norms pertaining to foreign direct investment in the construction sector, saying it will help attract investments, generate jobs and facilitate creation of smart cities in line with the government's vision.

"It is going to benefit both the developers and customers by adding more number of projects and highly developed infrastructure such as roads, highways, sewage, water, power, etc. A 100 per cent FDI approval means more capital can be invested in towns and cities for the development of both residential and commercial spaces.

"With this positive announcement by the government and REITs (Real Estate Investment Trusts)

coming soon, we believe foreign players will not hesitate in investing to India," realtors' body CREDAI's Vice President R K Arora said.

PHD Chamber President Sharad Jaipuria said the move will not only amount to job creation but also enable India earn foreign direct investment (FDI) in a significant manner.

Jaipuria said the proposal will help fulfill Prime Minister Narendra Modi's dream for creation of 100 smart cities. — PTI