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Budget

Budget 2020-21: Top 5 expectations of the real estate industry

Mumbai

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844
Jan 17, 2020

The real estate market has been going through a prolonged slump and is in need of immediate Government measures for a resolution. Considering that the real estate industry contributes to over eight percent of the Indian economy, the Union Budget 2020 is expected to include well-defined provisions dedicated to improving the sector.

Stakeholders of the real estate sector have demanded an exhaustive list of reforms such as the restructuring of loans, liquidity enhancement, stamp-duty revisions, and lowering of home loan rates from the Union Budget 2020-21. If the real estate sector is to be uplifted from the current environment of mistrust and apathy from homebuyers, policy revisions need to be focused on improving the consumption sentiment.

In an economy where there is uncertainty over sustained job security, worsened by skyrocketing prices of commodities, people would be more inclined towards renting than buying a home. Homebuyers are on the fence about investing in real estate and are looking to avoid long-term financial commitments until some Budget reforms help improve disposable incomes.

Here are some expectations that the industry has from the Union Budget 2020:

1. Affordable housing subsidies

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Last year's Union Budget introduced highly beneficial tax breaks on interest paid on loans for affordable housing. On loans taken till March 31, 2020, homebuyers were allowed to claim deductions on interest paid for housing loans by Rs 1.5 lakh to Rs 3.5 lakh for houses valued up to Rs 45 lakh.

However, homebuyers have demanded the inclusion of a higher budget bracket of Rs 65 lakh into the interest subsidy scheme, to fully realise the benefits of this scheme, owing to the astounding number of potential beneficiaries with homes in the Rs 45-65 lakh price range. Essentially, the price cap of Rs 45 lakh on the definition of affordable housing may be abolished because most of the homes in high traction markets such as Delhi NCR and Mumbai Metropolitan Region (MMR) do not fall in this budget segment. Instead, affordable homes may be defined in terms of floor area or other factors rather than price.

2. Enhance liquidity

Systematic and swift infusion of liquidity for developers is the foremost expectation from the upcoming Budget session. The biggest repercussion of the ongoing liquidity crunch was felt in the delay of projects, which only added to the already dismal buyer sentiment. In order to imbue fresh liquidity to the sector, a fund should be set up which would be used to buy out stressed assets of Non-Banking Financial Companies (NBFC) and Housing Finance Companies (HFC). The National Housing Bank (NHB) **infused Rs 30,000 crore** into HFCs in order to close the widening funding gap, and a similar infusion of funds may be introduced in the upcoming Budget for NBFCs.

3. Land reforms

The Government must aid developers looking to set up manufacturing units or commercial complexes by introducing reforms to ease the acquisition of land. Cracking down on unscrupulous land ownership and increasing transparency, the unique identifier (UID) for land parcels under the Digital India Land Records Modernisation Programme (DILRMP) is expected to improve the process of land acquisition for public projects.

4. Credit offtake

The Rs 70,000 crore stimulus package provided to Public Sector Banks (PSB) was meant to boost credit to further enhance liquidity in NBFCs. Nevertheless, there is still room for improvement in the credit offtake in the corporate as well as personal loan segments. To recover from the year-long shadow banking crisis, the Reserve Bank of India (RBI) could cut its benchmark lending rate

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further and restructure loans to expedite the completion of stalled projects. The focus should be balanced between aiding the developers and also increasing the consumer's buying power.

5. Rental reforms

Uniform implementation of the [Model Tenancy Act](#) is still pending across most States, and there is a lack of sufficient enforcement of rental agreements. There is a need for the Ministry of Housing and Urban Affairs (MoHUA) to create conducive policy frameworks, which would foster the growth of rental models such as co-living, while at the same time, enforcing a speedy dispute resolution mechanism for traditional rental models.

Here are some industry insiders pitching in with their real estate expectations from the Union Budget 2020:

Niranjan Hiranandani, National President, NAREDCO and Co-founder and MD, Hiranandani Group

Import substituting products that attract new investments for manufacturing in India should be kept outside the ambit of the Free Trade Agreement (FTA). Industries generating employment for more than 50 people should be treated as a high priority sector. Import substituting products that attract new investments for manufacturing in India should be kept outside the ambit of the Free Trade Agreement (FTA).

Ashish Bhutani, CEO, Bhutani Group

The growth of the real estate sector is marred by procedural delays which escalates the project cost. To facilitate faster clearance, the Government should announce a single-window clearance that will cut the approval period drastically and will expedite the development process. At present, GST at the rate of 18 percent is applicable in cases where commercial properties are not sold but developed for leasing. This is an additional burden on the commercial real estate developers, which needs to be addressed as it pushes up the cost of construction.

Santosh Agarwal, CFO, AlphaCorp

We hope that the Union Budget 2020 will have announcements and measures which will create a positive impact in the long run. The grant of industry status has been a long-standing demand of the real estate sector, if implemented it would raise low-cost loans within the system and the benefits would be passed on to the consumers. The sector hopes the quick implementation of AIF



Projects in Mumbai

Sunteck Maxxworld in Naigaon (East)

Piramal Vaikunth in Balkum

Lodha Amara in Kolshet Road

Runwal Forests in Kanjur marg (west)

JP North in Mira Road East

Runwal Gardens in Bhadra Nagar

Rustomjee Urbania in Majiwada

Runwal Eirene in Balkum

Atmosphere in Mulund (West)

for the completion of stalled housing projects strengthening the market sentiments. We also expect the government to address the demand of single window clearance mechanism.

Ravish Kapoor, Managing Director, Elan Group

'Industry Status' is a long due demand which will help in raising funds thus we are expecting an announcement in this regard. Multiple clearance system causes a delay in projects and it is expected that the government would move ahead with the setting up of a single-window clearance system. Another reason for missing the deadline in project completion is the cumbersome land acquisition process. The industry is expecting that the government would implement land reforms and accelerate the acquisition process. Move to push infrastructure development is a great hope; it will stimulate the growth of the sector.

Rajan Bandelkar, President, NAREDCO Maharashtra and Managing Director, Raunak Group

The ease of liquidity can enable the buyers to make purchases and also support the idea of Housing For All. A real financial impetus to the real estate sector can come with a major overhaul in terms of GST relief and curtailing home loan rates. Rationalisation of taxes and premiums is another area of improvement where stamp duty charges can be included in the GST rate. The sector needs a one-time subvention scheme and restructuring of realty sector loans.

Anshuman Magazine, Chairman and CEO - India, South East Asia, Middle East and Africa, CBRE

While the government has taken measures during the year to address the liquidity challenge for NBFCs and banks, it is imperative that more concrete steps are taken in the direction of a fiscal consolidation path. There is a need to ensure better transmission of the repo rate cuts – as the same were undertaken to enhance credit growth in the market. While real estate has attracted investment over US \$ 6 billion in 2019, the government should take more steps to ease and widen domestic/international fund flow. It should also expedite approvals and clearances, provide incentives to aid the use of technology to allow faster construction and launch some skill development programmes specifically aimed towards real estate.

Kamal Khetan, CMD, Sunteck Realty Ltd.

The primary priority must be to uplift buyer sentiment. The Government must simultaneously provide adequate tax relief to those stuck with incomplete projects, while paying pre-EMIs regularly without any tax relief. Tax experts highlight that the standard deduction of 30% has not been

revised since early 2000. This must be evaluated, considering the current dull scenario and a higher inflation in house maintenance costs.

Gaurav Bhalla, MD, Vatika Hotels

The upcoming budget should focus on reviving both consumer and investor sentiment in the real estate sector. The past year witnessed the Government taking a series of steps such as injection of liquidity through The Reserve Bank of India. Measures such as granting industry status to the sector and relaxing the risk weightage norms for such real estate lending will temporarily enable banks to allocate a higher percentage of funds for realty projects including co-working spaces. Besides the slashing of GST rate on properties developed for leasing, recognizing the virtual office as a separate product, ensuring tax rationalization on REITs and lowering costs of land acquisition will be a huge breather for the sector.

Pankaj Pal, President – Business Development & Strategy, AIPL

Touted as one of the prominent sectors in the Indian economy, the realty sector is projected to contribute 13 percent by 2025. Given that the sector is looking forward to the upcoming budget 2020-21 and expects immediate aid in terms of easing the liquidity crisis, incentivize rental housing, lower home loan interest rates and also rationalize personal and other forms of taxation. While the GST rate on under-construction properties was reduced to five percent in 2019, ITC benefits should be included in GST for under-construction homes. Providing ITC benefits will be a great incentive to lower property prices and thus, make under-construction homes attractive again.

Pankaj Kumar Jain, Managing Director, KW Group

Real Estate is one of the largest job-creating sectors in India. But, today it is the most unorganized and distressed sector. The real estate industry is having huge expectations from the upcoming union budget of 2020. We are expecting a reduction in the interest rates for home loans which would be a step forward towards affordable housing. This sector should be considered at par with other sectors as real estate affects the Indian economy and a boost to this sector will automatically impact the Indian economy at large.

Tanuj Choudhry, Chief Business Officer, HomeLane

From a start-up ecosystem perspective, there is a need to promote priority lending and improve contract enforcement to aid ease of doing business. There is a need to reconsider the personal tax

bracket to give more liquidity to consumers, as well as better benefits under section 80C to encourage investment in real estate and the home interiors segment. Furthermore, the home interiors segment falls under 18 percent GST slab and we propose the government to consider this segment under 12 percent GST slab.

Khetsi Barot, Director, Commercial and Retail Spaces, The Guardians Real Estate Advisory

The commercial real estate market of India in the year 2019 saw increased investor focus. With the prices in the residential market stagnating, commercial properties proved lucrative because of the returns they offer. A lot of developers are now wanting to target the retail investors who do not have the appetite to purchase large commercial offices and are therefore developing commercial projects that offer 350-1,000 sq ft offices. A commercial asset today offers 1-2 percent more yield yearly than a residential asset; it is this that is enticing the investor. The year 2020 will see a lot of commercial projects being developed that offer small offices with the provision for combining some of these spaces in the interest of larger commercial space if required.

Sanchit Gaurav, Co-founder, Housejoy

Government aided initiatives such as the Bharatmala Scheme, UDAN and AMRUT are paving the way for some revolutionary advancements and will make 2020 a landmark year for the construction sector. The Indian government has recently infused capital in real estate and infrastructure but more needs to come in, particularly in tier 2 and 3 cities. The construction industry is in urgent need of a fundamental revamp. If done in a timely and correct manner, it will not only help individual growth but also lead the economy towards recovery.

Rajesh Mehra, Director and Promoter, Jaquar Group

Easing liquidity will be the primary expectation of the sector from the Union Budget 2020-21. Initiatives from the government that act as consumption boosters for the affordable segment such as rebates on housing interest loans would greatly help put back the power into the hands of the consumers. Alternative investment funds for stressed residential projects and GST recalibration on construction raw materials will reduce the price burden passed on to home buyers – especially in Tier 3 and 4 markets and boost construction in those markets. For the lighting segment, too – incentivising consumption for LED lighting would pave the way for energy conservation overall.

Chintan Sheth, Director, Ashwin Sheth Group

Government initiatives such as the National Infrastructure Pipeline, will definitely push the economy ahead by creating employment opportunities. For real estate, we look forward to 'infrastructure status' for the entire sector. At the moment, this is only accorded to the affordable housing segment. If realty is given infrastructure status, it will immensely help in giving further fillip to the government's aim of creating employment opportunities and boosting India's economy.

Mangesh Wadaje, Director and CEO, Highbar Technocrat Limited

The real estate sector can be divided into commercial and residential segments. Over the last few years, while the overall real estate sector has seen a slowdown, the residential real estate sector has been severely affected. Many developers are sitting with unsold inventories leading to cascading effect down the value chain in the cement, steel, logistics and other industries connected with the real estate sector. We are expecting some relief from the government to spur demand in the real estate sector, especially for broad pan-India growth, which will have a positive impact on many other industries.

Siddharth Goenka, Founder, Aiosell Technologies.

Similar to any other sector, the hospitality industry has high expectations from the upcoming budget. The restaurant industry should be given the option to either charge 5 percent GST (without input tax credit) or 12 percent (with input tax credit), as the lack of taking input tax credit on GST has increased the cost of business and made several establishments unviable. The sector also expects the government to provide interest subsidy specific for new hotel projects to encourage investment in the tourism sector, which is known to have a high GDP and employment multiplier. Return of the fast track approval and remittance mechanism for the software exporters is also expected from the upcoming budget.

Sunil Rallan, Chairman and Managing Director, J Matadee Free Trade Zone Pvt Ltd

We are delighted with the government's decision to allow all notified SEZs to operate as multisector SEZs. We urge the government to leverage SEZs to attract FDI in the manufacturing sector, furthering the government's Make in India initiative. With the creation of state-of-the-art manufacturing facilities, we hope a provision will be made to permit SEZ units to undertake subcontracting work from units in the Domestic Tariff Area. Manufacturing services should be given the required impetus to keep up with the pace of changing technologies by the government and in turn, assist in job creation. We expect the government to revise full import duty on manufactured goods supplied to the domestic market from SEZ units.

Sakshee Katiyal, CEO, Home and Soul

Despite the government taking immensely important measures for the real estate industry, customers and positive sentiments are still missing in the sector. Reforms only help if there is a positive environment in the economy. For the same, the government needs to forward benefits to the salaried class through an increase in the income tax rebate. Another important incentive which the government can offer is a rebate on home loans for first time home buyers by reducing interest rates to 6-7 percent. The government should look into increasing the rebate on interest on home loan to Rs 5 lakhs. The government should also fast track the implementation of Rs 25,000 crore of the financial help extended for completion of the stuck housing projects to improve sentiment.

Akshay Singhal, Founder, Log 9 materials

There are already a lot of active initiatives for startups, and improved mechanisms for the execution of these initiatives is extremely important. However, the well being of the economy as a whole is a worry. There needs to be an increase in spending under the Swachh Bharat Scheme may be via MNREGA to get Indian cities clean by employing the bottom of the societal pyramid, in turn, boosting the economy.

Siddharth Jain, Co-founder, Vaahika

The Indian economy needs an urgent dose of a consumption boost. It would be wonderful to have provisions in the budget which could assist in an instant rise in consumer sentiment; for instance, a relaxation on personal income tax rates could be one such move that can act as a booster shot. We expect the budget to bring in provisions for more flexible compliance parameters for smaller builders; which as of today have to follow almost similar compliance as that of a larger corporation and do away with the current penal provisions. More needs to be done to address the concerns of liquidity crunch and reducing competence for the overseas markets. It has a worse impact on the logistics sector, especially on the small and medium-sized fleet owners. It is very much expected that the coming budget would have provisions to support not only the survival; but the revival of the logistics sector.

Dhananjay Sharma, Director and CEO, Log 9 Spill

Cleantech companies around the country seek special incentive programmes and more substantial tax benefits with an aggressive Government push for innovative cleantech solutions. With enough attention and initiatives from the Centre, this sector may become more investor-friendly and stable,

resulting in more investments in this sector. A conducive environment should be provided to encourage the creation of new cleantech businesses by easing regulatory and compliance policies for such companies.

Yash Rane, Founder, Chizel

With the Indian economy witnessing a slowdown, we need a policy with long term sustainable growth and not just for a few years. We are hoping for a 9 percent GDP growth, which is not that easy to achieve. GST has hampered the cash flow of SMBs, thereby affecting their buying power. The Government should enable monthly filings and quarterly GST payments. Also, manufacturing is and has always been the backbone of India and needs an infusion of more funds and subsidies.

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