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Indian property sector banks on budget sops

Sandhya D'Mello (/section/search&facet.filter=Byline:Sandhya%20D%27Mello) /Dubai

Filed on January 14, 2020

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BUDGET LIST: The Indian developers are closely monitoring and anticipating policy changes in the forthcoming budget which could help boost sales and growth

Most sectors hope that the government will unleash a plethora of goodies.

With 2020-21 Indian budget just round the corner, developers are anxiously waiting for measures to be announced to not only boost the economy but to see some relief for the real estate sector.

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Anuj Puri, chairman, Anarock Property Consultants, said real estate particularly hopes for the quick implementation of Alternative Investment Funds (AIF) to rescue stressed residential projects.

"The pressure on the finance minister is as high as it could possibly go, considering the state of the economy," he said.

Most sectors hope that the government will unleash a plethora of goodies - from tax cuts and other consumption boosters to increasing credit off-take from banks to ease liquidity. The real estate sector does contribute over 8 per cent to the Indian economy - and has justifiable expectations from Union Budget 2020-21.

"The recent Iran-US stand-off may throw a spanner in the works this year. Rising oil prices limit scope to decrease interest rates for home loans, and inflation is likely to head north. In short, some of the measures that the government could provide - such as hefty cuts in personal taxes - may not materialise," added Puri.

Srinivasan Gopalan, chief executive officer, Ozone Group, said the long pending and much needed industry status for real estate is expected from this budget 2020, which will make the land acquisition and fund raising process simpler.

"With stagnant sales across the sectors, speedy implementation of the government backed AIF will definitely revive stalled projects. Moreover, one time re-structuring or rollover of the existing loans for all projects should be permitted as suggested to the Reserve Bank of India (RBI) by Finance Minister and Prime Minister's Office," he said.

The developers and buyers hope that the 2020-21 Union Budget will introduce reforms like tax sops and correction in prices which will benefit and stabilise the industry. The industry anticipates that the budget should address the long-term expectations for the industry in terms of status, single window clearance and reforms in the Goods and Services Tax (GST).

Since, rental housing and co-living are in demand among the home buyers, hoping that various reform measures are proposed to promote the same, says Anuj Khetan, director, Vijay Khetan Group.

"The real estate market in India is also expected to address the liquidity crisis faced by the government potentially which affected various segments, However, taking all these into considerations, we expect 2020 to be more stable and propel the real estate growth," Khetan said.

The industry aspires to see a win-win situation for the developers and homebuyers. With GST, stamp duty, income tax, and capital gains tax already a burden on homebuyers; an income tax rebate could be provided for new home buyers.

"The real estate sector has been going through a cash crunch and the current Non-Banking Financial Company (NBFC) crisis has worsened it. Therefore the industry hopes, the government will help the sector in raising funds from other sources by relaxing norms. Including ITC benefit in GST for under-construction homes will be a great incentive to reduce property prices and make under-construction homes attractive again. Timely completion of projects has always been a concern, and a single-window clearance will help to swiftly execute projects making it a win-win situation for developers and home buyers," said Praveen Shetty, vice-president for marketing at Runwal Group.

"We hope for a budget that is conducive and propels the growth of the economy, boosts the real estate sector, benefits the homebuyers and provides relief to the developer community," he said.

Endorsing a similar view, Tanuj Shori, founder and CEO, Square Yards, said making India a \$5 trillion economy in the next five years is the primary object on the government of India's radar today.

"To achieve that, ways to increase consumer spending and investing heavily on the country's infrastructure should be the core agenda, along with enabling a supportive environment for startups. The affordable housing segment, though given infrastructure status is still struggling to raise funds from banks and NBFCs at viable interest rates, resulting in poor returns for private developers. This is a critical segment and this issue must be addressed."

The real estate sector is very optimistic about the upcoming budget may include provisions to provide immediate relief to all the industry stakeholders. Ketan Musale, director, Dotom Realty, suggests that Indian real estate needs to be made more attractive to foreign investors and the budget is an ideal platform to announce further incentives that will attract more foreign investments into Indian real estate



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"The expectation of real estate contributing 13-14 per cent to the nation's GDP by 2025 can materialise if the requisite support to this sector is extended starting this budget. Incentivising customers for purchase of real estate with a 50 per cent reversal of paid GST could go a long way in helping boost demand alongside the much-anticipated change in tax slabs. A slight change in the second-highest tax slab of 20 per cent could impact as much as 27 per cent or 1.47 million of individual taxpayers," said Kaushal Agarwal, chairman, The Guardians Real Estate Advisory. - sandhya@khaleejtimes.com



Sandhya D'Mello

Journalist. Period. My interests are Economics, Finance and Information Technology. Prior to joining Khaleej Times, I have worked with some leading publications in India, including the Economic Times.

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Many buyers who were potentially on the fence regarding property purchase decisions have decided to enter the market.

Residential property supply is set to hit an all-time high in Dubai in 2020, keeping prices and rentals under pressure and attracting more cost-conscious buyers due to higher affordability, say analysts.

Real estate research firms predict that around 50,000 units will hit Dubai this year, with most of it attributed to the spillover of expected handovers from last year. It is believed that the decline in prices and rentals will slow down this year as 2020 will be a pivotal year for Dubai's economy and the real estate market.

Property analysts believe that 2020 will be a key indicator to ascertain where the Dubai's property market stands now in terms of demand and supply balance and set the direction for the prices and rentals in coming years.

Aditi Hariharan, associate partner for strategic consulting and research at Cavendish Maxwell, said tangible measures have now been taken to curb oversupply, including the formation of the Higher Committee for Real Estate Planning and developers holding back on new launches and focusing on projects under construction instead.

Within the first half the year, Hariharan expects over 50,000 units of residential supply to enter the market as developers hand over projects delayed in 2019, which could exert downward pressure on prices.

As a result of decline in prices, Zhann Jochinke, chief operating officer of Property Monitor, said many buyers who were potentially on the fence regarding property purchase decisions have decided to enter the market, as reflected by the record transaction figures in 2019.

"Whilst this is a strong indicator of hitting a floor in terms of prices, other indicators such as high vacancy rates and the expected upcoming supply are yet to show signs that support stabilisation. Looking ahead to 2020, the Expo is going to be a key indicator of where we stand in terms of demand and supply," he said.

Prathyusha Gurrapu, head of research and advisory at CORE, says the market continues to witness increasing downward pressure on prices due to record supply volumes across all asset classes and the wider global economic and regional geo-political uncertainty.

"Dubai will be at the global center stage during Expo 2020 and while we are excited to see what this year brings to the city in terms of population growth, tourism and investment inflows, we remain cautiously optimistic on the city's real

estate near to midterm outlook. A positive turn around in prices and bottoming out of the market is yet to be seen, however, we expect this year to act as a catalyst towards real estate recovery as the market continues to adjust and potentially plateau over the coming years," she added.

She said landlords are flexible in order to maintain occupancies, with leasing incentives expected to continue, including rent-free periods and longer contract terms, refurbishing units or contributing to utilities. "We are also witnessing higher number of cheques increasingly becoming the norm, particularly in the lower to mid-market segment where tenants are price sensitive and barriers to relocation are low."

According to CORE, the average year-on-year of sales price drop was over 8 per cent and rental drop was over 9 per cent in 2019. "We expect both rentals and sales prices to remain under downward pressure this year. However, in 2020, we expect the market to continue being occupier friendly, with underlying demand being met, evidenced by a steady increase in transaction volumes," Gurrapu said.

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