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TREND TRACKER

CHALLENGES AND OPPORTUNITIES

Real estate stakeholders share with **Vijay Pandya** their perspectives on aspects that shaped the industry this year

2015

BLACK MONEY BILL AFFECTS INVESTMENTS

SOURABH BANSAL
 Co-founder and Managing Director,
 Magcrete Building Solutions Pvt Ltd.

By its nature, the real estate industry is quite challenging one. The industry operates in extremely challenging environment, vulnerable to a number of external influences. Some of the common problems of the real estate sector today include lack of clear titles for land, lack of adequate finance, shortage of labour, rising manpower and material costs as well as approvals and procedural difficulties. However, there are many more specific factors on the demand as well as supply side that have been key challenges for the real estate sector in the year 2015.

On supply side, the Reserve Bank of



India (RBI) data suggests that the banking system seems to have turned the tap off for real estate developers during the last year, which has made developers either stop construction or cut prices and borrow from high-cost informal channels. The knowledge that there is many years' worth of unsold real estate inventory in most of India's tier-1 and tier-2 cities is also causing investors to hold back further purchases.

Where the demand side is concerned, the Black Money Bill went live on July 1st and has made HNFI families reluctant to invest in real estate. The 8 percentage point gap between the gross rental yield and bank base rate highlights the unattractiveness of real estate for investors. Key state governments (Maharashtra, West Bengal, Delhi) have hiked ready reckoner rates sharply last year, thus prevented prices from dropping to a market clearing level.

USE OF CLEAN MATERIALS ENCOURAGED

PRANESH CHHIBBER
 Country Director- FI India

2015 has been all about the big changes. It is heartening to note that Indian economy is recovering - from hovering around 5% for the past many years to a projected figure of approx. 7.5% in the current year. Following initiatives taken by the government to accelerate economy has resulted in India moving 12 notches up to 130th position out of 189 countries as per World Bank's Ease of Doing Business Ranking: Amending the Companies Act, elimination of paid-in minimum capital requirement to start a business, easing of Foreign



Direct investment norms, single-window and time-bound clearance system for layout approvals and building permissions, fast-tracking environmental norms, etc. amongst others.

We in the wood and wood working industry are enthused by the Government's flagship mega programs: 1) Smart Cities Mission, 2) Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and 3) Make in India.

We are also excited by the government's initiatives in actively cutting red-tape, responding to environmental challenges and growing the economy by encouraging use of clean and efficient materials.

DEVELOPERS WITNESS SANCTION HURDLES

AMIT BHOSALE
 Managing Director, ABIL Group

2015 has been a roller coaster ride for Indian Real Estate. While on one hand there was a huge piled inventory of unsold stocks, on the other hand 2015 saw a rise in input cost substantially. Measures like home loan interest cut by RBI could not add fuel to the slow demand in the real estate market.



Most developers yet witness hurdles in the government sanction on various policies and building approval permits resulting in higher interest burden. Towards the last quarter of the year we are seeing a positive trend in investors largely due to national announcements of smart cities and certain other measures like the housing bill.

The sentiment is definitely showing a sign of recovery and we expect that 2016 will bring lot of positive news to the industry. However one must note here that the right pricing and location of the real estate will continue to be of utmost importance in 2016.

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BEST PERFORMING INVESTMENT OPTION

LANSEL D'SOUZA,
 Senior Vice-President, Expat Projects
 and Development Pvt Ltd.

According to a Knight Frank report, land (134%) was the best performing of all investment options in value appreciation between 2008-2015, followed by gold (87%) and Unit Linked Insurance (74%). Unlike stocks, land is tangible and ROI has been more consistent. Stock market movements can have serious implication on the value of our investments. Investors are always distressed about the repercussion of Sensex movement on their investments. Most investors struggle with the common question of how to safeguard the value of

their investment against market risks? In our quest to gain quick returns we often neglect the best investment options which offers good returns, is not affected by stock market and ensures long term financial well-being: land.



When you invest in land, you are buying a physical asset which can assure steady returns and considerable value appreciation over long term. Purchasing land is good to start when you are looking for a secure investment option as it is insulated against market movements. After a Sensex crash, stock assets face a drastic decline in returns and are unpredictable. Though, real estate sales have been slow in few states but the ROI on the same will keep growing in the long term.

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