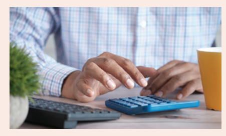
NATIONAL ASSOCIATION OF REALTORS - INDIA
NAR-India
Realty News

A MONTHLY PUBLICATION FROM NAR-INDIA Vol.2, Issue 2, July 2023 Price: ₹20


The office sector drew highest investment at US $2.5 billion, during H1 P2


The data centre industry in India is witnessing robust growth in the era of virtualisation and cloud computing P9


An insight into the important data points / details to be considered by developers under RERA P12

Realty Sector takes Centre Stage in driving PE/VC Investments

Real estate sector was the top sector in May to drive US$1.2 billion investments and set to cross last year's record in 2023, says EY survey.

Rapid urbanisation, policy reforms, and sound macro-economic fundamentals and political acumen in running the country have made India the fastest growing large economy in the world today. The rise of India has raised many eyebrows across the globe. The rapidity at which FTA and the trade treaty with the UAE that will allow it to settle trade in rupees instead of dollars with other countries evincing keen interest are clear indications of India occupying centre stage in world economy.

As the third largest employment generator after agriculture and manufacturing, Indian real estate sector has been notching up robust growth rates. Real estate was the top sector in May with PE/VC investments of US$1.2 billion.

According to EY survey, from a sector point of view, real estate was the top sector in May, recording US$1.2 billion in PE/VC investments across seven deals (12 deals worth US$1.1 billion in May 2022). The technology sector was the second largest sector, with $864 million invested across 15 deals, a 159% increase over May 2022.

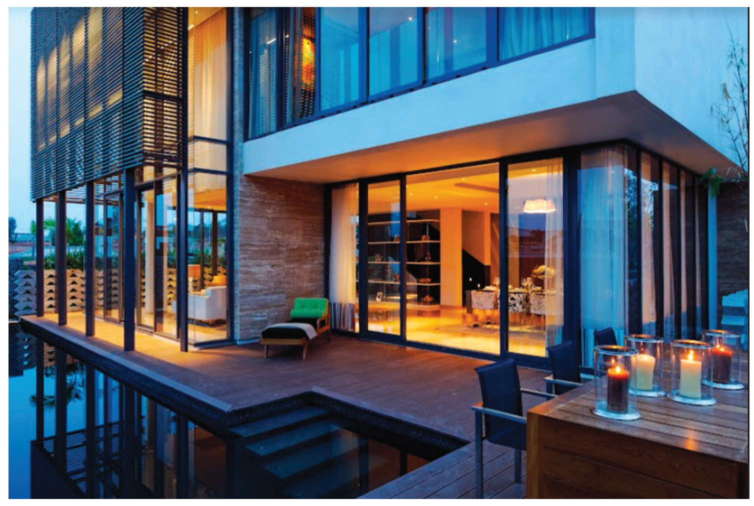
After a busy April, PE/VC investments in May 2023 were tepid, with fewer large deals. Investments in the real estate sector helped support the investment tally in May 2023. Despite a recovery of sorts being seen in tech sector indices and in some of the large global tech names, sentiment in India for tech sector investments has been lacklustre and fundraising by Indian startups has been sluggish.

"The mismatch in valuations between buyers and sellers continues to remain the primary impediment to improved deal closure rates. Nonetheless, with India emerging as one of the fastest growing economies in the world, the medium to long term outlook remains positive, and we expect India's PE/VC investments in 2023 to surpass the numbers recorded last year," said EY survey.

PE/VC investments in the real estate sector in 2023 till date are just 15% shy of the all-time high recorded last year and as per EY's projections should cross 2x of the 2022 record by the time the year is over.

PE/VC investments in the real estate sector continue to be dominated by the commercial segment, accounting for more than 50% of the dollar value of investments. However, with the growth of e-commerce and the proliferation of the digital economy, new segments like logistics parks and data centres have found favour with PE/VC investors. Investment in these segments has grown over 20 times in the past five years, from US$92 million in 2018 to over US$2 billion in 2023. With the growth of e-commerce and the implementation of GST, the demand for logistics grew, which saw a lot of investments by PE funds in this segment post-2018.

Currently, data centres are seeing significant interest from PE funds, which are evolving as an alternate asset class for varying real estate portfolios. Hyperscale data centres are being developed by reputed Indian real estate developers in partnership with global operators and PE investors. Private equity's interest in data centres is largely about predictable cash flows. The largest PE deal in the real estate sector has been in the data centre space in 2023, worth US$2 billion. Globally, data centres are being viewed as long-term safe havens for investment, even during turbulent times, which is attracting interest from private equity.



As per PitchBook, 2022 was a record year for PE investment in data centres globally, with over US$42 billion invested. It is also prompting the launch of dedicated funds for investments in data centres. Recently, Kotak launched a US$800 million data centre fund.

India is a growing market for data centres thanks to rapid digitisation and a government-led mandate to localise all data that is generated and processed in the country. The surge in internet users, the massive rise of startups, the fast adoption of cloud computing, and the government's investment in the IT sector are some of the critical drivers of digital and economic growth.

According to a report by EY-Assocham, India's data centre market is projected to grow to US$8 billion by 2026, which is likely to see significant participation from PE investors.

TRENDS

Investment inflows in Office Sector Up 2.5X YoY

The office sector drew highest investment at US$2.5 billion, **says a survey by Colliers.**

Institutional investments into the office sector rose 2.5X YoY during H1 2023, at USD2.7 billion, signalling continued investor confidence in the growth & return potential of the sector. The share of office sector remained highest in the total inflows during H1 2023 at 74%, distantly followed by residential sector at 12% share. Led by office, institutional investment inflows into Indian real estate rose 43% YoY, at USD3.7 billion in the first half of 2023. Institutional investment inflows are already about 75% of the total inflows in 2022 despite a weak global economic environment. Hinging on the strong domestic economic outlook, the fundamentals of real estate asset classes including office, residential, amongst others remain strong & intact. Institutional investors have their bets on the office sector, on the back of increased opportunities, resilient demand and robust growth prospects over the next 2-3 years.

Sturdy & higher demand for Grade A office space, robust supply pipeline, enhanced transparency, and availability of exit avenues in the form of REITs amongst others have bolstered foreign investments in the office sector over the last 5 years. The first half of 2023 saw USD1.9 Bn of foreign investments in office assets, accounting for 71% of the total investments in the sector. Global investors continue to look at Indian office sector favourably, and have shown increased appetite for good quality income yielding Grade A office assets. While majority of the existing prominent office projects are already funded by top institutional investors, a healthy supply pipeline of more than 150 million sq ft (at different stages of development) across top 6 cities offers newer investment opportunities in the next 3 years. Investors in the spectrum are forming large Joint Venture (JV) platforms to deploy funds to tap the burgeoning opportunity and invest in upcoming office projects.

"Office sector is witnessing a re-calibration globally, and hence the decision to invest is also taking longer. Further, interest rates and inflationary pressures are also temporarily keeping the investors in wait-and-watch mode as the investors re-price the global macro risks. The appetite to invest remains strong with newer funds looking to enter the Indian market, and apart from owning yielding assets, there is a renewed interest in residential as well." said Piyush Gupta, Managing Director, Capital Markets & Investment Services at Colliers India.

REITs gaining larger ground

REITs have corporatised Indian office market and favourable regulatory reforms have attracted more investments into the sector. While merely 11% of Grade A office stock across the top 6 cities is presently listed as REITs, there is a further unrealized potential of additional 57%. Given the current pace of investments in the sector, we are well placed to unleash this potential to inch closer to our counterparts in the APAC region.

"Investment inflows into the office sector touched USD1.8Bn during Q2 2023, highest over the last 10 quarters. The rising investments in the sector attribute to the unwavering confidence of investors amidst robust demand, healthy supply pipeline and presence of three successful REITs in the office market. The sector is expected to witness further push in investments from both global and domestic investors along side scaling up of REITable office stock in the coming years. Along with the office sector, investments in residential sector have also intensified during H1 2023, registering a 5X rise YoY. Going forward, investors are likely to increase exposure towards residential and alternative assets, driven by their strong growth prospects, potential for stable returns and diversification benefits", Vimal Nadar, Senior Director and Head of Research, Colliers India.

Investments in residential assets surged 5X

The residential sector experienced a remarkable five-fold increase in investment inflows during H1 2023, reaching USD433.4 million, primarily driven by domestic investments. Investments in residential assets have seen a rebound led by improved housing demand amidst stable interest rates and healthy affordability levels.

Industrial assets also saw about a two-fold increase in investment inflows led by sustained growth of the sector amidst rising consumption. India's manufacturing sector continues to grow at rapid pace, owing to strong demand and industrial output. India's manufacturing PMI was at 31-month high during June 2023 amidst robust demand conditions and improved business sentiments. The sector will continue to receive investment inflows, driven by upturn in domestic consumption, and growing demand from 3PL and manufacturing sector.

INVESTMENTS INFLOWS (USD MILLION)

Asset Class	Q2 2022	Q2 2023	Q2 2023 vs Q2 2022 (% Change)	H1 2022	H1 2023	H1 2023 vs H1 2022 (% Change)
Office	464.9	1,811.6	290%	1,108.5	2,719.2	145%
Residential	72.9	72.3	-1%	89.4	433.4	385%
Alternate assets*	359.0	-	-100%	398.8	158.2	-60%
Industrial & Warehousing	-	133.9	-	179.8	350.2	95%
Mixed use	230.7	-	-100%	308.0	15.1	-95%
Retail	234.8	-	-100%	491.8	0.0	-100%
Total	**1,362.3**	**2,017.8**	**48%**	**2,576.3**	**3,676.1**	**43%**

*Note: Alternate assets include data centres, life sciences, senior housing, holiday homes, student housing, etc.

Source: Colliers

TRENDS IN CITIES

City	Q2 2022	Q2 2023	YoY Change %	Share % Q2 2023
Bengaluru	7.6	-	-100%	0%
Chennai	234.8	85.4	-64%	4%
Delhi NCR	550.6	698.1	27%	35%
Hyderabad	-	127.3	-	6%
Mumbai	183.7	348.3	90%	17%
Pune	385.7	-	-100%	0%
Others/ Multi City	-	758.6	-	38%
Total	**1,362.3**	**2,017.8**	**48%**	**100%**

*Note: The institutional flow of funds includes investments by family onces, foreign corporate groups, foreign banks, proprietary books, pension funds, private equity, real estate fund-cum-developers, foreign-funded NBFCs and sovereign wealth funds. The data has been compiled as per available information in the public domain

Student Housing to Touch 31 million by 2036

Student housing is fast becoming an attractive investment proposition amongst the alternativereal estate asset classes, **says Colliers India survey.**

A recent study conducted by Colliers India reflects that the student housing sector is emerging to be a sought-after asset class, given the rising demand for quality student accommodation. Up until recently, the sector was unorganised and unregulated even though thousands of students migrate to the metro cities each year to pursue higher education. The poor conditions of campus hostels and PG homes along with scaling rentals gave birth to the need for quality student housing across the country, especially in education hubs that have a high footfall of students each year.

The student relocation within the country currently stands at ~11 million and is expected to touch 31 million by 2036. Further, there are only 7.5 million student beds at on-campus accommodations pan-India, not enough to serve the current demand and far from being able to meet the projected future demand. There is immense potential for growth given this high demand-supply gap in the sector.

"There will be immense requirements for shared student accommodation in the coming years due to new education policies by the Government, innovative technologies, and the inmigration of students to pursue higher education. A shared space with excellent amenities, same age-group community, convenience in commute, and assistance in day-to-day activities - are the requirements of our young generation. Pre-pandemic, many start-ups ventured into the purpose-built student accommodation sector, and very few have survived to become seasoned players with large portfolios across the country," says Swapnil Anil, Executive Director & Head, Advisory Services at Colliers India.

At present, there are a few players in the sector who have a growing presence in the country. Stanza Living currently has 70,000 beds across Dehradun, Vadodara, Indore, Coimbatore, Jaipur, Kota, Ahmedabad, Manipal, Kochi, Vadodara, Vidyanagar, and Nagpur. Housr Co-Living has a presence in Gurgaon, Hyderabad, Pune, Bangalore and Vishakhapatnam, with plans to expand in Delhi and Kota by the end of the financial year. Another leading operator, Your Space, has 5,500 beds across Delhi, Mumbai and Pune and aims at having a total of 20,000 beds by 2024 in prominent education hubs like Jaipur, Bengaluru, Hyderabad, Chennai, Kota, and Kolkata. Finally, Olive Living, managed by Embassy Group, has a stock of 2,500 beds and looks at adding another 20,000 over the next few years.

Post pandemic, student housing rentals have been steadily rising by 10-15% YoY, reaffirming the scaling demand for quality student homes. With student enrollment in higher education projected to cross 92 million by 2036, there is untapped opportunities for investors and developers and tremendous scope for the sector's growth. It is likely that the market will see the emergence of new players and perhaps even global investors in the Purpose Built Student Accommodation (PBSA) market.

AROUND NAR-INDIA (A ROUND UP OF REALTOR EVENTS ACROSS THE COUNTRY)

REALTALK Magazine Launched

REALTALK magazine, an informative and useful edition initiated by APP Delhi NCR has recently seen its third edition rolling out of the press. Seen in the picture, Tarun Bhatia, former President of NAR-India and the team proudly displaying copies of the edition.

Woman Achiever in Education Award for Mona Shah

Dr Mona N Shah, founder director of Vayati Systems and Research Inc., has received the Woman achiever in Education award at the third Women Icons in Real Estate. The recognition is given for the exceptional contribution and pioneering efforts undertaken in the field of real estate education in India.
In his congratulatory message, CR Shivakumar, President, NAR-India said that Dr Mona Shah's success would serve as a source of inspiration to countless women who aspire to break barriers and achieve greater heights in their respective fields. "Her success not only highlights the power of knowledge and education but also underscores the significance of female leadership and representation in traditionally male-dominated industries," said Shivakumar.

NAR-India President, Shivakumar CR, Vice-chairman, Praveen Phanse, Special Ambassador Vipul Shah and West Zone Director, Ashwin Rasane interacted with SMART President, Pramod Vyas, Hon. Secretary, Jimmy Yezdi Panthaki along with other committee members at BKC office of Chandresh Vithalani. They have discussed on RERA and submission of SRO from NAR-India to MahaRERA.

NAR-India President, Shivakumar CR, Vice-chairman, Praveen Phanse and West Zone Director, Ashwin Rasane interacted with REAAK President, Mehul Vithalani, Vice-President, Kalpesh Valia and Hon. Secretary, Hitesh Kaku and other committee members about the upcoming city convention and general body meeting to be held in Mumbai during November.

The Association of Real Estate Consultants, Nashik, has organised a legal knowledge session recently. Advocate Jayant Jaibhave, member of bar council of India was the speaker. Seen in the picture NAR-India President C R Shivakumar addressing the members. Other in the picture include Jayant Govardhane, Prashant Agnihotri, Kishan Milaney, Ashwin Rasane, advocate, Jayant Jaibhave, Vasant Sonawane, Darshan Chawla, Ashish Mehta, Kirti Bhosale, and Vivek Agnihotri.

How to Hand-Pick Property Professionals

By Pramod Vyas

Finding trustworthy professionals is crucial when it comes to buying or selling or leasing property. Let's explore some effective methods for selecting the right property consultants.

Referrals

One of the most reliable methods is to seek referrals from trusted sources. Ask your friends, family, or office colleagues for recommendations. Additionally, you can use online search engines or real estate portals to find property consultants in your area. When researching online, be sure to look for consultants with positive reviews and avoid randomly clicking on numerous agents/brokers. Another helpful approach is to reach out to professionals like lawyers, mortgage brokers, or bankers, and ask for referrals based on their experience and knowledge.

Real Estate Associations

Check local associations or professional bodies for lists of qualified consultants. These associations often have strict criteria for membership, ensuring that their members adhere to high standards of professionalism and ethical conduct. For primary sales, always use RERA

registered agents only and you can search on the RERA agent government portal, filtering by area. You can also contact reputable agencies and ask for recommendations based on your specific needs. This way, you can be confident in the expertise and credibility of the recommended professionals.

When hiring property consultants, ensure they have a reputable track record, understand your specific needs, and come recommended by reliable sources. Thoroughly research their credentials before making a final decision. Remember, this is an important partnership, and you want to choose someone who aligns with your goals and exact requirements.

It's also crucial to schedule interviews or consultations with potential consultants. This allows you to evaluate their expertise, communication skills, and suitability for your needs. Take the time to discuss your expectations, ask relevant questions, and gauge their understanding of the local market and industry trends. Additionally, it's important to clarify their brokerage fee in writing before listing any properties with them. Transparency in financial matters is key to avoiding any misunderstandings or surprises down the line.

In a nutshell, finding reliable realtors/agents is essential for a successful real estate transaction. By following the above methods and conducting thorough research, one can increase chances of selecting the right property professionals with integrity and expertise.

Mr Pramod Vyas is from Jayant Associates and President-(South MetroCity Association of Realtors), Mumbai.

Tips to AI Tools for Digital Presence

Graduating from the long-standing notion of being in "early" stages, Artificial Intelligence has now taken the world by storm, and has revolutionised the way businesses interact with customers and prospects. Today, AI is helping businesses foster innovative marketing strategies, and improve their efficiency, reduce costs, and boost their revenues. The real estate industry is no exception to this paradigm shift. Moreover, with the Realtor industry getting increasingly competitive, it's become imperative for realtors to start embracing this remarkable technology in every way possible.

AI has many possible applications in the real estate industry. AI tools, for instance, can help Realtors automate their marketing processes, analyse market trends, and improve their customer experience. With the right set of AI-powered tools, Realtors can streamline their marketing efforts, automate ad creation, create and enhance their brand content, and even improve their visibility in relevant web searches, and gain a competitive edge.

In this article, we'll discuss some of the best AI tools Realtors can use to enhance their marketing efforts, and in turn, their business. Let's take a look.

ChatGPT

If you are someone who likes to stay on top of technology trends, chances are that you would've already heard of ChatGPT, if not used it.

For starters, Realtors can use ChatGPT to quickly generate detailed descriptions of any property, complete with all the relevant information that potential buyers will want to know, and even include search phrases to improve their visibility in web searches.

In addition, Realtors can use ChatGPT to compose emails, create content for their websites, generate blog post ideas, and even create the initial drafts of blog posts. They can also use it to generate social media captions and posts for platforms such as Facebook, Twitter, and Instagram.

The best part about ChatGPT is that its basic version is absolutely free!

Pricing: Chat GPT is a language model developed by OpenAI and is currently available for free public use through various online platforms and applications. That said, the pricing of the paid version of the tool, called 'ChatGPT Plus' starts at a humble US$ 8 per month.

Jasper

As a realtor, having great content on your website and social handles is essential to attract potential buyers and sellers, but writing high quality content could be easier said than done, especially when it comes to creating large volumes of content.

Jasper is a highly effective AI tool that allows you to create high-quality content, quickly and easily. It can be used to create content for a variety of purposes, including, brand website, articles, and of course, social media content.

To use Jasper AI, all a user needs to do is enter a keyword, and Jasper AI will provide a list of related topics. From there, the user can choose the topics they want to write about, and Jasper AI will generate a list of ideas. Moreover, you can also set the tone of voice as per your requirement, which can go a long way in establishing brand identity and striking the right chords with your target customers.

Pricing: Jasper AI's basic plan is available for a monthly fee of $39. It is designed to assist freelancers, marketers, and entrepreneurs who are looking to automate their daily tasks using generative AI while retaining a personalized brand voice.

Scalenut

Having high organic rankings in web and social media searches is a prerequisite to acing any industry, with real estate being no exception.

Scalenut is a powerful AI marketing tool that allows you to not only identify the best search terms to include in your content, which you can select based on your area of expertise, it can also create highly optimized content that can do wonders for your business' organic search placement.

Realtors can use Scalenut to create a comprehensive content marketing plan that is in line with their organic search objectives, and in turn, attract potential buyers and sellers, and ultimately boost their sales.

In addition, Scalenut allows Realtors to uncover industry insights and semantic key terms that can help them outpace their competition.

Scalenut also offers 40+ AI copywriting templates, which Realtors can use to write persuasive branded content, including property descriptions, website copy, and marketing emails.

Pricing: Scalenut's starting plan (Personal) is priced at $39 per month and it offers various features, such as 40+ AI templates, SERP Analysis, and NLP key terms .

Synthesia

Synthesia is another great tool for realtors to improve their sales and marketing efforts. It is no secret that videos are gradually replacing textual content, especially in the marketing realm.

Synthesia allows Realtors to create engaging and personalized videos to attract potential clients without breaking a sweat. Besides allowing Realtors to create branding videos to showcase who they are, the tool gives them an easy way to create various types of videos, including virtual tour videos of properties, video testimonials, and educational videos.

In addition, the tool's machine learning algorithms enable realtors to create virtual presenters or customized avatars that can speak directly to potential clients, build trust, and establish a connection.

Overall, Synthesia AI is a versatile and effective tool for Realtors looking to create compelling videos that can help them stand out in a competitive market. By using Synthesia AI, Realtors can save time and resources that would otherwise be spent on traditional video production, while still being able to create impactful video content.

Pricing: Synthesia's entry-level plan, which includes 90+ AI avatars, an AI script assistant, and a built-in screen recorder, is priced at ₹1,999 per month.

As the real estate industry continues to evolve and become more competitive, it goes without saying that Realtors who embrace technology and AI tools will have a significant advantage over those who don't. By utilizing the right AI tools, Realtors can improve their marketing efforts, streamline their workflow, and provide a better experience to their clients, which can play an instrumental role in enhancing their bottom lines. Invest in the right AI tools, stay abreast with the latest trends, build strong relationships with your clients, and you'll be well on your way to success in the much promising world of real estate. Hope this helps.

Courtesy: REALTALK MAGZINE
an initiative by APP ,DELHI NCR.
Download links :
https://linktr.ee/appdelhincr

Built Units Drive Swift Demand

With metro connectivity getting extended, capital and rental values of premium properties are expected to go upby 10-15% in the upcoming 1-2 years, **says Savills survey.**

BANGALORE

Bengaluru's premium residential market witnessed notable growth in capital values over the year. Under-construction projects saw a relatively higher growth averaging to 4.3% YOY compared to about 2.9% YOY increase in newly completed projects.

The number of new launches fell by 30.3% YOY in H1 2023. Most developers are seeming to focus on clearing the existing inventory in order to maintain their market share and positioning for future growth.

North Bengaluru witnessed the highest capital value appreciation in under-construction projects averaging 7-8% compared to other markets that witnessed an average increase of 1-4% .

South Bengaluru saw a similar increase in the prices of under-construction and newly completed projects of about 4-5% YOY in H1 2023. However, select ready properties of reputed developers such as Brigade, Prestige, Sobha and Sattva in the region, have witnessed a price appreciation of 8-10% owing to high demand.

The launch of the metro route connecting KR Puram-Whitefield in March1 boosted the city's eastern side, with capital values increasing by an average of 4.4% YOY in the under-construction projects.

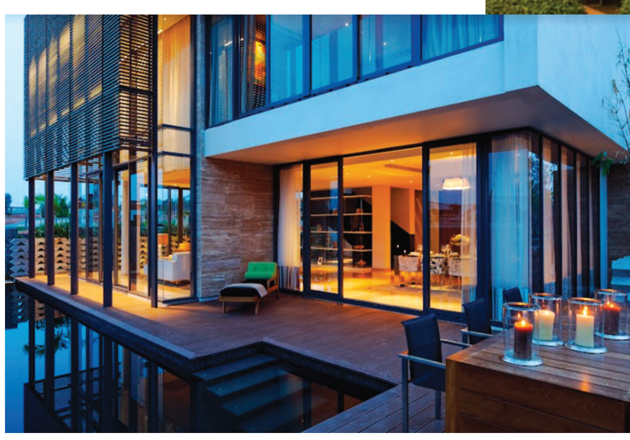
Majority of end-users are preferring immediate occupancy and ready-to-move-in properties as the hybrid work model has become more popular.

Rental Trend

South and North Bengaluru saw a significant growth of 4% YOY in rentals in premium residential developments.

Professionals who moved out of the city during the pandemic have returned since it has abated, to resume work out of the office in a hybrid setup. This has led to an increase in demand for residential properties, which in turn drove up rents.

The rental market for premium housing in Central Bengaluru is robust, with rents that are significantly higher than the average rents in the other micro markets. However, luxury properties in select pockets (Koramangala, Indira Nagar, MG Road, etc.) command a much higher rental value as compared to the average rentals in the city.



Outlook for H2 2023

The completion of infrastructure projects such as Metro Rail Phase 22 and Airport link is expected to boost the real estate potential. With metro connectivity getting extended, capital and rental values of premium properties in the regions are expected to increase by 10-15% in the upcoming 1-2 years. New high-end projects supply infusion over the next 2-3 years offering a wide range of options for luxury living in the localities of Sarjapur Road, Whitefield, and Devanahalli will further enhance the attractiveness for premium buyers.

The Karnataka government is proposing to increase the guidance value of properties by 15%. This is likely to impact the market value and registration volume.

Demand for spacious homes is expected to drive demand of plotted developments in the northern suburbs of the city. This is due to the flexibility of customisation in construction and the potential for future home expansion.

CHENNAI

Infra Development Nudges Realty growth

Improved connectivity levels and infra development are stimulating demand for land and housing in Chennai, **reports V Nagarajan.**

Chennai has launched 8,122 units and sold 7,150 units during H1, according to Knight Frank survey. The average price has been estimated at Rs 4,350 per sqft.

Sales increased by 3% YoY during H1 2023 to 7,150 units. Sales were largely concentrated in the south and west micro-markets, which cumulatively accounted for 89% of the total sales duringthe period. The south micro-market locations along the OMR and GST Roads have continued to garner most homebuyer interest comprising a total share of 64%, while the more affordable locations such as Porur, Valasaravakkam and Poonamalle toward the west accounted for 25% of the total share.

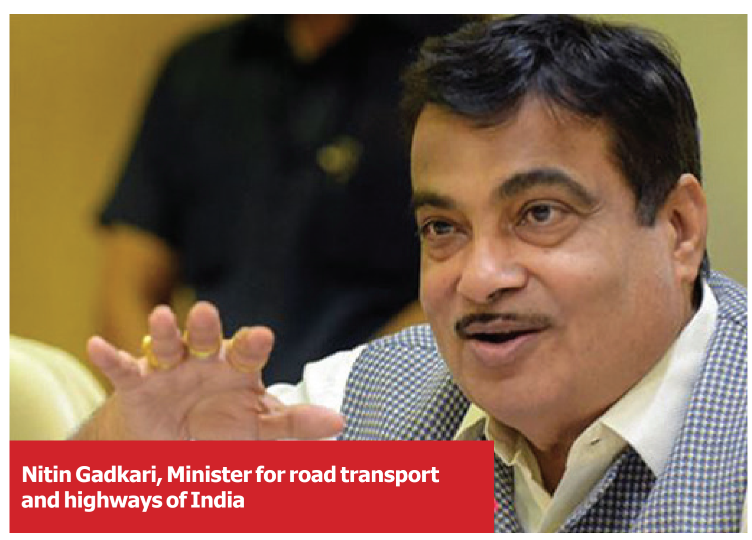
While the infrastructure development is pushing the demand north, let alone the temporary dislocation to people's normal life on Mount Poonamallee road and T Nagar, the surge in demand has given a new dimension to the housing demand across micromarkets.

A corporate developer has reportedly sold 500 units of 2 and 3 BHK units in record time of launching on Mount Poonamallee road where between now and 2025, an estimated 4.5 million sqft of commercial supply is likely to enter the market. In yet another instance in Koilambakkam, a corporate developer has obtained EOI from 400 prospective buyers for apartments. In a plotted development project, a leading brand has sold plots in Mahindra city in a span of just one year, a clear indication of the growing confidence reposed on branded developers.

Industry experts feel there is a surge in demand in areas like Vaanagar, Mogappair upto Poonamallee, Ramapuram, Avadi-Poonamallee road. Improved connectivity levels, a spurt in the number of infrastructure projects planned in the vicinity are considered as stimulants for fence sitters to plunge into investment.

While land prices are inching a new in western part of the city and the spurt in land registrations reveal the growing confidence of investors to invest in layouts and reap rich dividends. A clear case in point is the Chennai-Bengaluru expressway and the adjoining areas showing definite signs of price hike. The aerial survey conducted recently by the union minister and the construction activity in full swing are evident of the growing national importance attached to the project.

The present government under the leadership of PM Modi has realised the paramount importance of national expressways and swiftly acted upon it. The importance of it is that whatever food, vegetables, flowers etc. are grown in certain places are unable to reach demand destinations on time. Besides wastage is huge and cold storage facilities are inadequate even today.



Nitin Gadkari, Minister for road transport and highways of India

According to Shyam Sundar, a technocrat who has extensive experience of handling mega infrastructure projects abroad, expressways need to be improved and there are 30 NE7s which are going on across the country. The two mega ones are Chennai-Bengaluru expressway (covering 262 km) and Delhi-Mumbai expressway (covering 1300 km). In terms of economy and contribution to GDP, Tamil Nadu and Karnataka are important.

With 31 interchanges, the 262 km distance, the expressway is passing through three states viz. Tamil Nadu, Karnataka and Andhra Pradesh. In Tamil Nadu it covers 96 km, in AP it passes through Chitoor 72 km and in Bengaluru's Hoskote, it covers 76 km distance. There are six toll plazas. Though land acquisition has been done for laying 8 lane expressway, it is believed that initially four lanes would be laid and it having provision for expanding to 8 lanes. There are underpasses and the contract has been awarded to Tata and L&T groups which have given 10 packages to subcontractors. The work is in progress.

MUMBAI

Robust Consumer Demand

Mumbai continues to maintain its position as the largest market in terms of real estate sales with sale of 40,798 units in the first half of 2023. While the growth in sales remained steady compared to the second half of 2022, the city has witnessed an 8% YoY decline in the total sales during the first half of 2023. The market has maintained the elevated sales level even as the growth rate is tapering.

The optimism for sales momentum to improve continues to remain high supported by factors such as the expected rise in income levels and the strong desire for homeownership, which continue to be key drivers for residential sales in the Mumbai market

Although there was a minor dip in residential market transactions, the number of new project launches continued to remain robust. In H1 2023, a substantial supply of 50,546 unitswas added, marking the highest number since the first half of 2014. Nonetheless, developers remain cognizant of consumer sentiment and affordability. 70% of the supply added in 2022 are in suburban markets like the Western Suburbs, Thane, Peripheral Central Suburbs and Central Suburbs..

In the first half of 2023, a significant proportion of the properties transacted in Mumbai remained within the less than INR 5 mn ticket size range. Although their share has decreased from 50% in H1 2022 to 46% in H1 2023, it still continued to represent a significant portion of the market. Meanwhile, the INR 5-10 mn ticket size category has experienced growth, accounting for 37% of the market share in H1 2023 compared to 22% in H1 2022. This shift towards the INR 5-10 mn category can be attributed to the rise in property prices and value mix of homes sold during this period.

The weighted average residential property prices have recorded an upward movement in H1 2023 by 6% YoY. The increased raw material prices coupled with strong demand were the primary drivers for developers to opt for price rise.

The unsold inventory has risen by 7% YoY in H1 2023 on account of the massive supply added in the market. However, the Quartersto- Sell has reduced from 12 quarters in 2021 to 8.4 quarters in H1 2023. This reduction indicates a faster pace of property sales and suggests that the market is absorbing the available inventory more efficiently.

Despite several headwinds, strong consumer demand continues to drive the market. However, any further rise in mortgage rates and property prices will have an impact on consumer sentiment.

Despite several headwinds, robust consumer demand continues to drive the market, **says Knight Frank survey.**

KOLKATA

Residential Market – Unsold Inventory Declines

Due to healthy sales velocity in the past one year, the unsold inventory has declined 3% YoY to 20,138 units at the end of H1 2023, **says Knight Frank survey.**

The residential real estate market in Kolkata continues to benefit from the 2% stamp duty rebate and the 10% rebate in circle rates which have been further extended to 30th September 2023 as per the state budget announcement earlier this year. Continuation of incentives such as these has been helpful to advance buying decisions for completed and ongoing projects in a price sensitive market like Kolkata. In H1 2023, 7,324 residential units were sold in Kolkata registering a 3% YoY growth. A pause in the repo rate hike cycle in 2023 has also been a pivotal factor in this annual growth.

In line with past trends, south zone of Kolkata accounted for the highest share in the city's overall sales volume. south zone's share expanded from 34% in H1 2022 to 40% in H1 2023. Locations along the metro corridor in this part of the city have remained a buyer favourite with rapidly developing neighborhoods for affordable and 'affordable luxury' real estate due to the upcoming metro connectivity all the way to Joka. Rajarhat accounted for the second highest share with a 25% share in the total sales volume, followed by North Zone with a 17% share.

In contrast to past trends, the share of ticket sizes < INR 5 million in Kolkata's total sales volume reduced substantially from 62% in H1 2022 to 49% in H1 2023. This is largely attributed to the high home loan rates in the past six months due to previous repo rate hikes which impacted the homebuyer affordability for the buyer profile in this segment. The share of projects with ticket sizes of INR 5-10 million largely remained stable at 24% over the past one year. However, the share of residential products in > INR 10 million category rose from 13% in H1 2022 to 17% in H1 2023.

Sustenance of the homebuying demand led to a robust upswing in new residential supply in the market in 2021 and 2022. However, the momentum can be seen slowing down now as launches in H1 2023 largely remained stable recording a marginal 1% YoY uptick over H1 2022 as many new projects have already been launched. In H1 2023, 6776 residential units were launched in Kolkata.

Of all the micro-markets, Rajarhat constituted 33% of the total units launched in H1 2023. New Town and surrounding areas in Rajarhat, near Eastern Metropolitan Bypass saw many launches in the mid and luxury segments during this period. Being a planned satellite town, Rajarhat is home to many innovative residential projects. South Zone accounted for 30% of the total launches after Rajarhat with locations such as Joka, Maheshtala, Narendrapur, Sonarpur and Garia witnessing new launches.

Stable residential demand coupled with high input costs have led to a 2% YoY increase in average residential prices in H1 2023. While there are concerns regarding the inflationary pressures on home loan interest rate and property prices, the stamp duty rebate opportunity for homebuyers continues until 30th September 2023 and will help cushion this price rise to some extent for homebuyers.

Due to healthy sales velocity in the past one year, the unsold inventory has declined 3% YoY to 20,138 units at the end of H1 2023. The age of inventory has also scaled down from 14.3 quarters in H1 2022 to 12.9 in H1 2023 which is indicative of improving health of the market.

The decline in Kolkata's unsold inventory has also led the quarters-to-sell (QTS) for the city to inch down from 6.1 in H1 2022 to 5.5 in H1 2023. QTS is the number of quarters required to exhaust the existing unsold inventory in the market. The existing unsold inventory is divided by the average sales velocity of the preceding eight quarters to arrive at the QTS number for the current quarter.

INVESTORS AND FUNDS

The IT Act provides for special regimes for FPI, AIF and Business Trusts.

The IT Act provides for a beneficial treatment for FPI trading in derivates, by classifying such securities as capital assets and not as business income, thereby levying reduced tax rates for FPIs having a corporate structure. The IT Act specifically states that income from FPI investments can only be treated as a 'Capital Asset' and therefore taxable under the head of Capital Gains. This treatment also allows FPI to invoke Tax treaties for further beneficial rates specified for capital gains taxation. The IT Act has also been amended to provide tax treaty benefits to any sum payable to FPIs like dividend income received on securities, which earlier required withholding of taxes at 20%.

Further, the IT Act lays down certain conditions to be fulfilled, subject to which an offshore fund shall not be considered as constituting a taxable presence in India on account of the activities of its Indian fund manager.

As discussed under 'Key Provisions on Taxation of Non-residents', the IT Act also provides for the exclusion of Category I FPI from indirect transfer provisions. Further, the IT Act specifically provides for the exclusion of FPI fulfilling certain conditions and non-resident investors investing in offshore derivative instruments issued by the FPI from the ambit of GAAR10provisions.

The FDI, FPI, AIF and Business Trusts are the most popular structures in India for pooled investments, **says BDO survey.**

Alternative Investment Funds (AIF)

Category I and Category II AIFs have been accorded pass-through status under the IT Act. Accordingly, the income of such AIFs is taxable directly in the hands of the investors on a proportionate basis (other than the business income of such fund). Taxability of income arises as soon as the income is earned, irrespective of the fact whether the income is distributed or not. Further, tax in the hands of investors depends on the nature of income earned by the AIF and is taxable in the same and like manner. As aforesaid, incomes of these AIFs characterisedas 'Profits and Gains of Business or Profession' do not pass through to investors and are taxed at the AIF level, depending upon the legal status of the AIF

The Pass-through of tax losses incurred by Category I and Category II AIF to the investors (except for losses under the head 'Profits and Gains of Business or Profession') is also allowed, w.e.f. 1 April 2020, in case the investor has held units in such AIFs for at least 12 months. The losses shall be allowed to be carried forward and set off from the year in which it was first incurred, subject to satisfaction of certain conditions.

Category I and Category II AIFs, while distributing income, are required to withhold tax at 10% in the case of resident investors and at the rates in force in the case of non-resident investors. Thus, the non-resident investors can take benefit of a relevant treaty from the country in which he/ she is domiciled, subject to the satisfaction of conditions as stipulated in the provisions of the IT Act.

On the contrary, Category III AIF has not been accorded pass-through status (except for Category III AIF located in the IFSC) and hence, an income of such Category III AIF is taxable in the hands of the AIF itself.

Tax incentives related to AIFs set-up in the IFSC are discussed in the subsequent heading 'Tax Benefits For Entities Setup In IFSC'.

Special Regime for Sovereign Wealth Fund (SWF) and Pension Fund (PF)

The IT Act provides for exemption on any income earned by SWF and PF which is like dividend, interest or long-term capital gains arising from investments made in India in the form of share capital or debt or units. The investments should be made on or after 1 April 2020 but on or before 31 March 2024 and should be held for at least a period of three years in the specified investment as per the provisions of the IT Act.

Further, the IT Act lays down certain procedures and conditions to be fulfilled subject to which SWF and PF can claim an exemption under the provisions of the IT Act.

Business Trusts (REITs and InvITs)

REITs and InvITsare classified as 'Business Trusts' under the IT Act.

Interest and dividend income received by a Business Trust from a Special Purpose Vehicle (SPV), and any rental income earned by an REIT directly from real estate assets owned by it have been accorded the pass-through status. Accordingly, these incomes are exempt from tax in the hands of the Business Trust and are taxable in the hands of the investors.

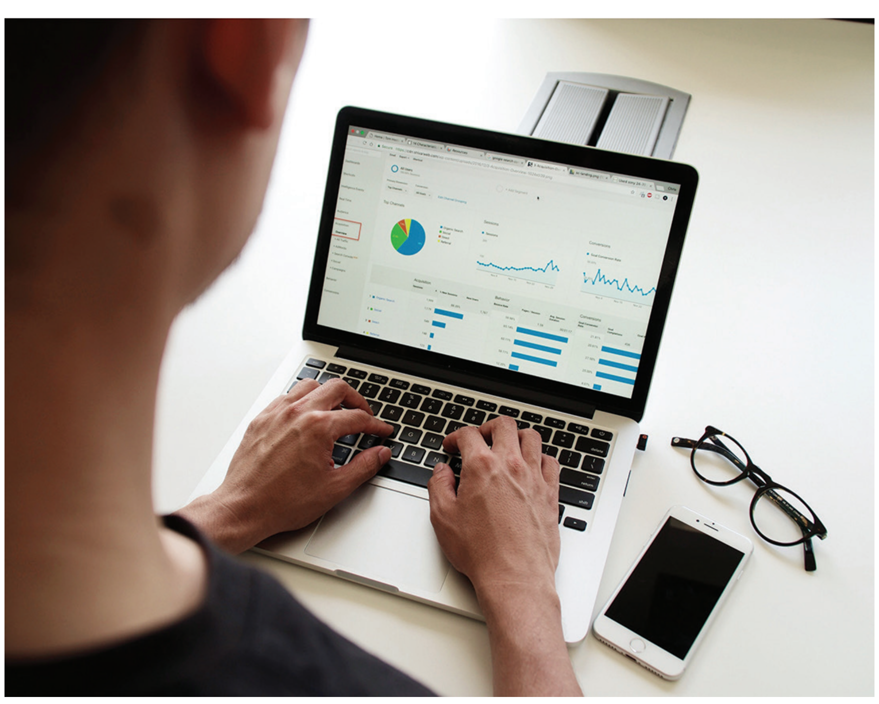
Based on the residential status of investors, different tax rates and withholding tax rates are prescribed under the IT Act for the above income earned. A concessional rate of 5% is prescribed under the IT Act for interest income earned by a non-resident investor from Business Trusts.

Other income received by a Business Trust is taxable at a maximum marginal rate of tax and exempt in the hands of the investors. Such income is taxable on an accrual basis, irrespective of its distribution to the investors.

Indirect Tax

GST is not applicable on incomes such as dividends, capital gains, and interest (except rental income) earned by the above entities. Expenses such as management fees, custodian fees, advisory fees, etc., incurred by the above funds would be taxable, subject to the applicability of the 'Place of Supply Rules' prescribed under the GST law. However, divergent views exist on the applicability of the GST on carried interest and certain expenses.

Excerpts from the report on Doing Business in India – A comprehensive guide to key & regulatory considerations by BDO India.



The Case for PEs to invest in Sunrise Sectors

By Diwakar Rana

Over the last two decades, Indian real estate has grown tremendously with the spectrum ranging from conventional offices to emerging classes like data centres. It is remarkable that the growth has continued despite often inclement and complex global economic conditions. Of the conventional real estate assets, offices remain the favourite of private equity players; but off late, sunrise sectors such as life sciences, data centres and student housing have started evoking significant interest as well. Some other emergent sectors like co-living, senior living and rental housing are also anticipated to appear on the horizon at some point in future. A very myriad set from which to choose, from the point of view of a typical PE. Add to this the fast-evolving retail and hospitality classes, and we have a complete jigsaw. For now, let us see how the conventionally favoured class – offices – compares with some main emergent classes, namely life sciences, data centres, education and purpose-built student accommodation.

As conventional real estate sectors move towards commoditisation and volume play, sunrise sectors are expected to provide the much needed upside, diversification in usage and alternative investment avenues. The steeply rising funding appetite of these new asset classes is creating an opportunity for early mover advantage.

The Indian IT-BPM sector has been the flag-bearer of India's exports over the last 20 years. Over the last decade, the industry grew by 102% reaching USD 191 billion (INR 14 trillion) in revenues in FY 2019-2020. The industry added 1.8 million employees, 70% higher over the last 10 years. Nature of work also evolved from providing back-end support to digital transformation, R&D and analytics. The stupendous growth in the software industry led to unprecedented growth for the relevant office real estate as well. Currently, the IT-BPM sector accounts for about 50% share in overall annual office leasing in India.

IT-BPM's fabled run and its impact on the office sector over the last 20 years serves as a ready reference for the upcoming growth of similarly promising sunrise sectors . In the manner that the last two decades were defined by the rise of the Indian IT-BPM sector, the next decade is highly likely to be dominated by the some of these , particularly, the life sciences sector.

Life sciences industry is at an inflection point, with growth drivers already in place. It appears to be reaching the same cusp where IT and software had arrived a couple of decades ago; and from where it can embark on a high growth path. It has some unique advantages like cost arbitrage, large pool of skilled workforce and training. India's domestic pharma market is valued at about USD 42 billion (INR 3 trillion) and is expected to grow 3X in the next decade as per the Economic Survey 2021. It is likely to reach USD 130 billion (INR 10 trillion) by 2030. India's growth will continue in the supply of generics, as the country aims to move up the value chain and focus on innovation and R&D.

The life sciences sector in India is set to grow owing to several favourable factors. These consist of structural changes including the current geopolitical environment and regulatory regime, India's rich demographic dividend that translates to large skilled workforce, cost efficiencies in terms of lower manpower and rental costs, and the growing attractiveness for venture capital funding companies. This, in turn, is expected to positively impact the growth of related real estate in India. India has the potential to create a demand for approximately 96 million sq. ft. of life sciences research and development real estate from 2021 till 2030. Consequently, life sciences research and development real estate universe holds the potential to attract private equity institutional investment amounting to USD 18 billion (INR 1.3 trillion) over the same period.

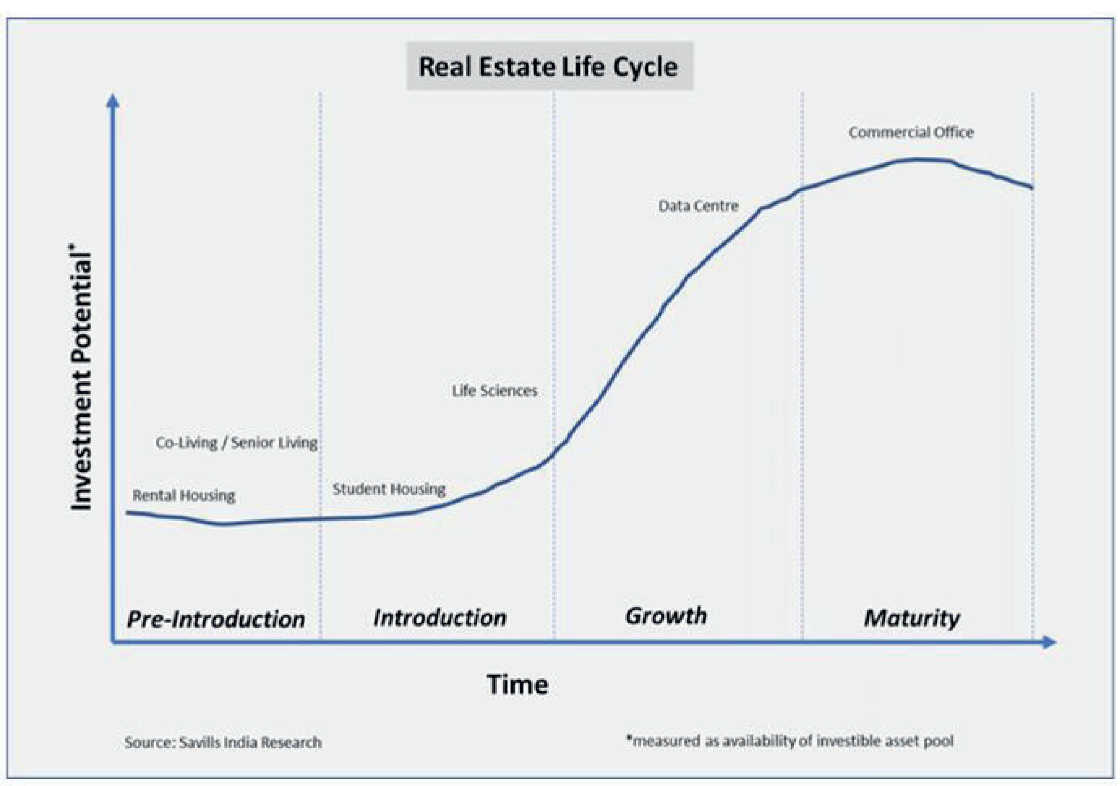
Another consumption driven real estate alternative sector that is gaining traction is the Education Properties, primarily, K12 education. This is a model where the landlord develops a core and shell facility which is given on a long lease to a school operator. With the growing demand for school facilities across various kinds of education boards like CBSE, IGCSE, IB, ICSE, etc., the need for new age school properties is high. Further, land and building are capital intensive investments, which creates the right avenue for Private Equity investors to purchase or fund construction of K12 school buildings which can be leased or pre-leased to operators. With almost 27% of India's population in the age group of 0-14 years, India's education sector provides terrific growth opportunities . It offers stability of income flows and scalability which could turn into a REITable portfolio in due course.

The data centre industry in India is witnessing robust growth in the era of virtualisation and cloud computing. The increased use of data consumption and internet bandwidth in the country is driven by expanding reach of social media, increased use of smart devices, data localisation, increased adoption of cloud services and digital transformation journeys of many Indian companies. Recent MyGovIndia data suggests that India, with 89.5 million digital transactions in the year 2022, tops the list of five countries in digital payments (followed by Brazil and China). The Government of India initiatives such as Digital India and emphasis on self-reliance and data protection through data localisation is expected to further increase the volume of data in the country, which will result in an increased demand for the data centre and cloud services. In our estimate, the demand for data centre space will increase by around 15-18 million sq. ft. across the major cities in India over the next 5 years. McKinsey has identified India as the second fastest-growing digital economy and projected that IT and Communications sector will double in size by 2025 to contribute USD 355-435 billion to GDP.

Yet another interesting sunrise asset class, purpose-built student accommodation (PBSA) has emerged as a growing segment within the student housing market in India. PBSA is designed specifically for students and offers a range of modern amenities and facilities. The demand for student housing in India emanates from international students as well as internal migration within the country. There are currently 41 million students in higher education in India. Our estimates indicate that the top 3 cities of Mumbai, Bengaluru and Delhi-NCR have a approximately 0.4 million beds in institutional hostels and PBSA formats. The significant volume of students in India, coupled with limited supply, is a key reason why student housing is considered an attractive investment proposition amongst the alternative real estate asset classes. At a time when demand for student accommodation facilities is rising along with a focus on providing enhanced liveability, the role of private operators assumes great significance. These private players provide better amenities, bridge the supply deficit, deploy technological means to create a seamless community-driven living experience and help create a community-feel and experience for the user.

The sunrise sectors are still early on the curve, and hence the investible universe of assets is relatively small. Consequently, the visible investor appetite might appear to be low, but it will only grow in near future. The futuristic investors have begun to evaluate investments in leading companies in these sectors (popularly known as platforms) to gain exposures at an initial stage. Investors are also likely to evaluate co-investments in the assets that such platforms develop over a period of time. This should enable investors to capitalize on returns from platform investments as it grows in size as well as asset-specific investments. We have witnessed this magnificent investment story once at the start of this millennium, and perhaps are likely to witness something similar again in some time.

Mr Diwakar Rana is managing director, capital markets, Savills.



Unlocking the Full Potential of Construction Projects

By Deviprasadh A

The construction sector is highly complex, involving diverse materials and stakeholders, and it demands specialized knowledge, coordination, and robust project management practices. The construction industry operates in a dynamic environment where various factors significantly impact project outcomes. These factors include site conditions, weather impacts, regulations, diverse materials, labour availability, construction safety, cost control, quality assurance, timely completion and logistics.

Organizations often choose to hire project management consultants to ensure the smooth execution of their construction projects, with a specific focus on navigating these complexities requires expertise, understanding, and effective stakeholder engagement, which project management consultants bring to the table.

When clients lack a full-fledged real estate team and local presence, it becomes vital for them to engage a trustworthy project manager. The project manager serves as the eyes and ears of the client, overseeing the project on their behalf.

Sometimes, clients may choose to forego hiring a project management consultant to save minor cost. While it may seem like a cost-saving measure initially, not engaging a project management consultant can lead to larger business losses in the long run. It is important to weigh the potential benefits and risks before planning and consider the value that a professional project management consultant can bring to your project.

Engaging project management consultants for construction projects offers a wide range of benefits. Here are key points that highlight the advantages:

Expertise and Knowledge: Project management consultants possess a deep understanding of managing construction projects. They are well-versed in industry best practices, project management methodologies, and the latest trends in the construction sector. This expertise ensures the efficient and effective management of your project.

Objective Perspective: Project management consultants offer an unbiased perspective on your construction project. Their advice and decisions are free from internal biases or organizational politics. They wholeheartedly advocate for the client's best interests throughout the entire project.

Efficient Project Planning: Project management consultants excel in project planning. They are adept at developing comprehensive project plans that define objectives, create realistic schedules, determine resource requirements, and establish budgetary constraints. Their expertise guarantees a robust, well-structured project plan that aligns with your specific goals.

Risk Management: Project management consultants possess extensive experience in effective risk management. They conduct thorough risk assessments, identify potential risks and uncertainties, and develop mitigation strategies to minimize their impact. Through proactive risk management, consultants ensure project success while minimizing delays and cost overruns.

Resource Optimisation: Project management consultants possess a remarkable aptitude for resource optimization in construction projects. They assess resource needs, allocate them efficiently, and identify opportunities for cost savings. By optimizing resource allocation, consultants maximize productivity, reduce waste, and enhance overall project performance.

Quality Control: Project management consultants enforce rigorous quality control processes to uphold high-quality standards in construction projects. They establish quality benchmarks, monitor compliance, and implement quality assurance measures throughout the project lifecycle. This unwavering focus on quality ensures that project deliverables meet or exceed expectations.

Effective Communication and Stakeholder Management: Project management consultants excel in communication and stakeholder management. They establish effective communication channels, facilitating clear and transparent information flow among all project stakeholders. Acting as the interface between various parties involved in the project, consultants foster collaboration, coordination, and alignment, reducing misunderstandings, conflicts, and delays.

Problem-solving and Decision-making: Project management consultants are skilled problem solvers and decision-makers. They identify issues, propose viable solutions, and facilitate informed decision-making processes. Their expertise ensures that project setbacks are effectively managed, minimizing disruptions and maintaining project momentum.

Construction Safety Management: Project management consultants possess knowledge and experience in construction safety management. They develop and implement comprehensive safety plans, ensure adherence to safety regulations and standards, conduct safety audits, and mitigate potential hazards. By prioritizing safety, consultants help create a secure working environment for all project stakeholders.

Local Compliance Knowledge: Project management consultants are well-versed in local compliance requirements and regulations specific to the construction industry. They ensure that your project complies with local building codes, permits, zoning regulations, environmental regulations, and other legal requirements. Their expertise helps avoid potential penalties, delays, and legal issues.

Flexibility and Scalability: Project management consultants offer flexibility and scalability in their services. They can be engaged for specific project phases or the entire project lifecycle, tailoring their approach to meet your project's unique needs. This flexibility allows for adaptation and adjustments without long-term commitments.

In summary, hiring a project management consultant for construction projects yields several advantages. These consultants bring specialised expertise, knowledge, and objectivity to ensure effective project management. They excel in efficient project planning, risk management, resource optimization, and quality control. Additionally, they provide an objective perspective, facilitate effective communication and stakeholder management, and offer problem-solving and decision-making skills. With their expertise in construction safety management and local compliance knowledge, project management consultants ensure project success while prioritizing the client's best interests. Furthermore, their flexibility allows for tailored services and scalability as per project requirements. By engaging a project management consultant, organisations can achieve seamless collaboration, optimize resource allocation, and enhance overall project outcomes.

Unlock the Full Potential of Your Construction Projects

Hiring a project management consultant offers a substantial return on investment (ROI) by saving both time and money throughout the project lifecycle. The cost of hiring a consultant is outweighed by the efficiency gains and financial savings achieved. Whether you are in the initial stages of a project or seeking to realign a project timeline, enlisting the expertise of a skilled project management consultant proves to be a valuable allocation of resources.

Ready to enhance collaboration, optimise resource allocation, and achieve successful project outcomes? Connect with a project management consultant today to unlock the full potential of your construction projects. Your success starts with effective project management!

Mr Deviprasadh is director, Occupiers/City Head-Chennai, Project & Development Services, Cushman & Wakefield. The views are personal.

Should you Invest in a Pre-Leased Property?

By Amit Tiwari

Finding a property for profitable and long-term investment can be challenging, as it requires careful consideration of various factors such as financial stability, risk tolerance, and expected profitability. However, an increasingly favored option among investors is investing in pre-leased properties. Pre-leased properties refer to properties that have already been rented out and are being offered for sale.

Experts in the real estate industry often refer to pre-leased properties as a lucrative opportunity for investors, as they provide not only the property itself but also come with tenants already in place.

In recent years, the stability of pre-leased properties has made them an appealing option for investors. Considering the current market conditions, investing in pre-leased properties should be evaluated as a viable investment instrument that can lead to significant returns on investment.

Mr Amit Tiwari is General Manager, Investment Sales & Professional Services, Savills.

What are the advantages of investing in a pre-leased property?

Immediate income flow

Unlike other properties, pre-leased properties provide investors with the advantage of earning rental income right from the beginning. As soon as the lease deed is successfully transferred, investors can start generating revenue through rental payments. The lease deed establishes an agreement between the property owner and the tenant, granting the tenant the right to utilise the property for business purposes without claiming ownership.

Rental increment

With each lease renewal, the rent for pre-leased properties can be potentially increased, offering investors a regular rental hike. Additionally, the annual rental yield for pre-leased properties typically ranges from 6% to 8%.

Stability

Upon purchasing a commercial pre-leased property, the buyer receives a sales deed transfer that includes the right to receive consistent monthly rental income. This aspect ensures a steady flow of income for investors that is in line with the registered lease terms.

Reduced risks

Pre-leased commercial properties generally entail minimal risks due to the extended lease terms, typically ranging from 5 to 10 years. This longer tenure reduces the likelihood of frequent tenant turnover. In the event that a tenant vacates the premises before the lease term concludes, they are usually liable to pay a significant penalty, further minimizing potential losses for the investor.

Capital appreciation

Commercial pre-leased properties offer sustainable capital appreciation in line with other investment asset classes due to their robust infrastructure and amenities. Moreover, pre-leased properties situated in prime locations tend to experience significant value appreciation over time.

Office REITs – Poised to Get a Greater Share of Global Capital

Real estate markets globally have benefitted from greater institutionalisation. While the influx of private equity, sovereign and pension funds support the push for creating more investible grade assets, the public markets and more specifically REITs have enhanced institutional participation. These instruments provide liquid avenues by creating both depth and breadth in real estate markets.

The listing of REITs in India has provided a mutual fund like investment option in real estate. Traditionally, retail investors resorted to direct investment in real estate space with challenges which are addressed by the introduction of the new investment vehicle in recent years. They provide diversification across asset classes and geographies, an opportunity to invest in real estate properties in smaller denominations through organized and formal platforms, lower transaction costs, tax savings, easy liquidity and access to professional expertise coupled with transparency and accountability.

In APAC, Japan was the first country to introduce REIT in 2000, followed by Asian countries like Singapore, Indonesia, & South Korea. Currently, Japan and Singapore are the market leaders in this segment. India was gradual in setting up its legislation, as compared to its global peers and till recently until the Nexus Select Trust retail REIT, had only three listed ones which were heavily focused on the office sector. Embassy Business Park debuted in 2019 as the country's first followed by Mindspace and Brookfield in 2020.

While policy measures have supported the public REIT market to thrive and with over 50% of India's Grade A office stock considered REITworthy, it is anticipated the market will grow further, **says JLL survey.**

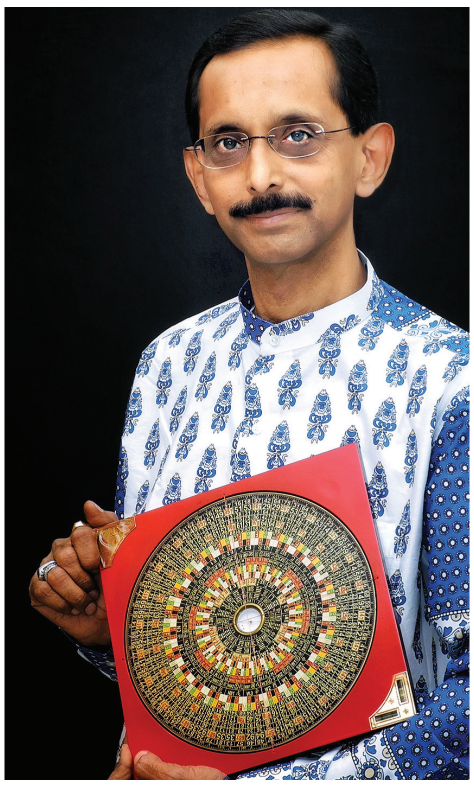
Despite being launched during the pandemic, both REITs received robust responses from institutional as wellas retail investors. The occupancy and rent collections for REIT-managed assets continued to hold their ground even during the pandemic, fully supporting the working theory that professionally-managed assets will always outperform their counterparts.

Greater transparency, liquidity and robust rent-yielding asset portfolios of Indian REITs have been successful in attracting global capital as witnessed in the previous three listings. While REITs have been driven by India's strongoffice demand and positive outlook, it is time to see more such investment vehicles being introduced across other asset classes such as retail, logistics, hospitality etc. Policy measures have supported the public REIT market to thrive and with over 50% of India's Grade A office stock considered REITworthy, we anticipate the market to grow further.

India is on the right path to access a greater share of global capital for its real estate markets and more listings are the way to go.

India office REITS – Off to a great start

- India's 3 listed office REITS – combined. USD 7 billion market capitalisation ~19% Nifty realty index companies' market cap.
- Operational office stock under REITs tripled to 74.4 million sq ft as of 31st March'23 from 24.8 million sq ft as of 31st March 2019
- Technology sector clients accounted for an average of 43% share of rental revenue across the REIT office portfolio as of 31st March 2023
- REITs hold 9.6% of India Grade A office stock - substantial potential to expand the REIT market size
- India's Grade - A rent-yielding office space offers 393.7 million sq ft REITworthy assets for listing
- Incremental investment potential of USD 59.0-62.6 billion in REITworthy office assets
- Revised budget provisions to soften tax impact to unitholders
- Retail and Hospitality sector to provide additional REITworthy investment avenues



FENG SHUI

Fengshui and Locality

By SB Surendran

Feng Shui synchronises the surroundings and stimulates us with positive energy allowing us to live at our fullest potential. The energy within should resonate with the cosmic energy.

Feng Shui lays down practical guidelines that enable you to select good property and property whose "chi" is not afflicted and the luck not blocked by harmful structures and contains vibrant yang energy. Feng Shui in short enables you to custom design your "luck" and makes you move towards your aspirations by fine tuning the "chi" around you and harmonize and balance it.

From a Feng Shui perspective we can discern various kinds of property, some, which possess intrinsic good energy and fortunes, which benefits everyone's life. There are certain areas and neighborhoods, which tend to have better Fengshui and prosperity than other neighborhoods. The effect of surroundings is and the layout or planning of the locality is the key to this kind of prosperity.

The principles applied in Feng Shui have similarities with the Laws and Theories of Physics. In Feng Shui importance is given to directions based on the compass, (Lo Pan), which is tuned to the planetary magnetic field. This helps to determine the "Lines of Forces" similar to Faraday's field of force. The "Principle of Yin and Yang" follows from the fact that everything in the universe is shaped by two cosmic forces, known as Yin (negative energy) and Yang (positive energy). In other words Feng Shui follows the "Law of Conservation", which says that energy cannot be created or destroyed but only transformed. Therefore by using Feng Shui we transform the energy around us to our benefit and bring fortune in the place where we live.

The essence of Fengshui is a harmonious relationship between you, the spaces within which you live, and the environment. A balanced setting empowered by your intentions and goals will attract and ease the flow of positive energy into many facets of our lives: career, friends and supporters, creativity, partnership, wealth, family relationships, knowledge and health.

Here are few vital Fengshui Tips to empower your thoughts and home:-

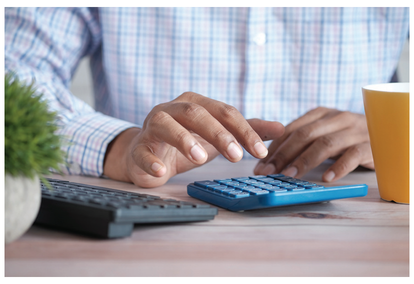
- Avoid sitting under a beam at work or while studying; this will hamper your progress and cause illness.
- Always keep toilet seats down and the toilet doors closed when not in use.
- Avoid sleeping under a beam; it would be best to move your bed if you are in this position.
- Don't give your date or lover deep red flowers, as this indicates that the relationship will soon end. Red roses are especially bad, because they have thorns too.
- Avoid sleeping with your head directly facing the bedroom door, as this is called the "death position".
- Flame-red and orange flowers bring wonderful yang energy into the home and are great energizers for the south sector.
- Keep your wastepaper basket out of sight (or in a discreet corner) and covered, if possible, as they are deemed to symbolise bad luck.
- Display a pair of cranes in the living room to ensure good health for your parents.

Mr Surendran is an accredited master Fengshui consultant, bioenergetician and traditional Vaastu practitioner based in Bengaluru.

RERA: Importance of Year End Reconciliation under Various Statues

By CA Vinay Thyagaraj

TAX TALK



Financial year end closure compliances refer to the various tasks and activities that need to be completed by an entity/person at the end or after its financial year to comply with legal, regulatory, accounting requirements and to report to all stake holders. The reporting being specific to industry, the regulators constantly monitoring the developments of the industry and the eco-system. Real estate is not an exception to it.

Post RERA all the stakeholders of the real estate cognizant about the RERA registration, periodical updates, funds utilisation reporting, approval of modification of plans and specifications, approval for change of promoters in the project, compliances to the advertisement and adherence to terms of the agreement of sale. RERA being the new statute and regulators are notifying the various regulations, notifications etc based on their experiences, on government and stakeholders demand depending on the situation or circumstances that spew from time to time.

In this article, we would like to bring the important data points/details to be considered by the Real Estate entities (promoters of the real estate projects) considering the various aspects as mandated under RERA. The promoters and professionals shall consider and comply with the Regulatory Compliances to mitigate the risks –

1. Prior Registration of the project –

a. Section 3(1) of the RERA Act 2016 mandates the prior registration of the real estate project (building or plotted) before sale, marketing, invitation, collection of advances –

i. It is important for the professionals to consider while verification, reporting and certification, whether the promoter has advertised or collected money prior to registration of the project with the RERA Authorities. The same can be verified by looking at the bank account receipt, agreement of sale entered.

ii. The authorities have levied penalty for advertisement or collection of money prior to before RERA registration.

iii. Further the promoter might have allotted the unit against the advance / borrowing. If so, further emphasis should be made and verify the transaction to satisfy and comply with Section 3(1)

Eg., Balance Sheet of 31st Mar 2022 showing under Borrowings or current liabilities. During 2022-23, unit is allotted against such borrowings.

2. Financial management under RERA –

Section 4(2)(L)(D) of the RERA Act 2016 mandates the promoter to deposit 70% of the amount realised from the allottees to the project RERA designated bank account from time to time –

a. Verify the total sales register or collection register.

b. Verify amount credited to project RERA designated bank account (RERA designated bank account can be verified by visiting https://rera.karnataka.gov.in/view AllProjects)

c. Reconcile the collection and 70 % deposit. Any variances, collect the reasons for future references

d. Verify whether the promoter have collected the professional certificate of Engineer, Architect and Chartered Accountant Certificate for withdrawal of funds from the project RERA designated bank account from time to time. Excess withdrawal at any point of time shall be recorded and reported,

e. In case of Joint Development agreement, collect the details of units sold and amount realised by the landowner under Area Sharing arrangements, whether the 70 % of the realisation of landowner units is deposited into project RERA designated bank account. If not let the developer communicate and collect necessary undertaking and documents to protect from penal consequences (REFER RERA Bank Account directions 2020 issued by K RERA)

3. Compliance checklist and Reconciliation under RERA:

preparation of reconciliation statements to ensure accuracy and completeness, as well as reconciling any discrepancies or differences between reports submitted with various stakeholders –

We agree that there shall be a difference, if so, we recommend the promoters to keep the reconciliation statement in order to protect themselves in the future from any inadvertent notices from any of the tax authorities.

Conclusion: We recommend the promoters of the project to submit the uniform data to all the stakeholders in order to achieve the objectives of the RERA Act and also to comply with different statutes failing which the chances of penal action or penalty for such non-compliance are more. Also, it is the responsibility of the professionals to advise their clients appropriately to comply in accordance with the RERA Act, Rules, notifications, circulars etc.

Courtesy: www.taxguru.in

Sl No	Stakeholder/s	Reconciliation items
1.	RERA Authority – Compliance with Regulatory Requirements	Ensuring compliance with various regulatory requirements, such as a. filing of quarterly updates – b. annual audit annual reports c. application for extension of end date – Section 6 d. further extension of end date of the project – Section 7 e. Reporting and modification of plan and specifications in the project – Section 14 f. Advertisement guidelines – Section 11 and Section 12 g. Honouring the orders passed by the Authority or Adjudication officer for the complaints filed under Section 31 h. Engaging and Payment of commission or brokerage only to Rera Registered Agents i. Following the agreement of sale notified by Rera Authorities
2	Bankers – Lenders	Lenders Inventory and receivable statements to arrive at Drawing Power. This document should be tally and reconcile with the reports submitted to Rera Authorities – a. Total number of Sold units / inventories in the project. b. Communication to the lenders for NOC from the lenders for the units sold and agreements entered. c. Receivables from the Sold units Vis-à-vis books of accounts d. Unsold inventory as per books of accounts and average value of the receivables from unsold inventory to cover the balance / outstanding loans or borrowings. e. Status of construction progress of the project. 3 GST
3	GST	a. Percentage of completion of the project b. Total amount received and GST discharged on the amount received or due. c. Reporting of RCM transaction and discharge of liability (Legal Fees, Development rights, transport expenses etc) d. Availing the eligible Input Tax credit e. Satisfaction of 80 % criteria of registered GST purchases f. Discharge of unregistered GST purchases if any or lower than 80 % criteria g. Reversal of ineligible GST Input Tax Credits h. Reconciliation and allocation of GST in case of Mixed Development Project (Residential and Commercial) i. Reporting of occupancy or completion certificate (the GST officers are collecting the data from the RERA portal etc)
4	TDS deducted by the buyers @ 1 % U/s. 194 IA of Income Tax Act 1961	a. Reconcile the total receipt of money from the allottees. b. Check 26 AS whether 1 % has been credited against the receipt from the customers/allottees. c. If not, communicate the same to the allottees and insist them to remit and share the details. d. This will help the revenue reconciliation vis-à-vis TDS Credits
5	Inventory Valuation – stock lying at the site or godown	a. Available or unsold inventory shall reconcile with RERA March quarter CA certificate with the books of accounts
6	Revenue Reconciliation	a. Recognition of revenue as per Accounting Standard and Tax Standards and reconciliation with the data as provided to RERA – i.e., realisation of money from the allottees vis-à-vis revenue recognised based on % of completion of the project development work, realisation of money from the allottees vis-à-vis revenue to be recognised. Prior to RERA income or GST authorities relying on the data as provided by the promoters. Post RERA, the data is available in a public domain or can be collected from the RERA Authorities.
7	7 Provision for the delay compensation (delay in delivery of the unit to the allotees – a. Based on Terms f the Agreement b. Based on the orders of the Authority or Adjudicating officer	a. Provision of expenses for the delay compensation payable to the allottees as per the terms of the agreement and as per the RERA Act 2016 (SBI MCLR + 2% interest) – Section 13 read with K RERA Rules 8A b. Applicable GST payable compensation payable on such delayed delivery of the project c. TDS by the promoter on such provision of expenses
8	Management Information System – MIS to Investors etc	a. During the financial year, there may be instances of sharing MIS information with the investors etc., b. It is advisable to reconcile the same with the data as reported with RERA and also as per books of accounts of the promoter

Published by NAR India.
For all communications regarding newsletter, contact :
Vengatesh VR,
Chairman - Newsletter, Secretary - Coimbatore Association of Realtors (COAREA),
Mobile: 9629300200.
email: chairmannewsletter@narindia.com, gm@narindia.com,
Editor: V Nagarajan (Member, APPCC, Chennai)