

Indian Real Estate - an Emerging NRI Investment Destination

The real estate sector in India is undergoing a self-organization from being a highly unorganized sector. This has been one of the most crucial factors for India gaining its status as a highly favored investment destination through FDI and funds.

India being the treasure of a huge market potential.

- The fifth largest economy in the world (ranking above France, Italy, The United Kingdom, and Russia)
- The third largest GDP in the entire continent of Asia.
- The second largest among emerging nations.
- {These indicators are based on purchasing power parity}

Indian Real Estate sector: Facts and Figures

- Estimated size of organized Indian real estate sector accounts for USD 12 billion of India's USD 600 billion economy; just 2% way less when compared to mature economies.
- Relaxation of FDI rules has brought about capital gains in every sector of Indian economy. The government is making efforts in liberalizing the guidelines and norms for investment through FDI, making them more NRI friendly.
- Growth in the Indian real estate sector - an estimated 30% last year, owing to FDI norms and relate growth drivers, by 2010, real estate sector estimated to be between USD 45-50 billion.
- The real estate sector has the potential to touch USD 90 billion in 10 years.
- The real estate prices in general are on the upswing in all markets across sectors since last two years.
- An estimated 5 million homes were sold in 2005-2006.
- In the next five years, the sales are expected to cross the 30 million homes mark.
- Second homes: The trend of owning exclusive properties like waterfront, homes in the lap of nature, near religious centers etc. is rapidly growing.

Why real estate is the best investment bet?

Returns from real estate investments in India have consistently performed well and even outperformed other investment options. However, easy home loan availability by financial institutions in India, NRI remittances and repatriation procedures have emerged as the best of all the available prospects for NRIs looking forward to return to or invest in India.

Property investment doors open for NRI's

The policies set out by the government regarding property investment and repatriation, has made opportunities for investments in India even more favorable. Under the present relaxed conditions, Non-resident Indians (NRI) and persons of Indian origin (PIO) can invest in property in India.

NRIs can acquire residential/ immovable property in India, rent it out, transfer or sell it, if required. However, the regulations do not permit the NRIs and PIOs to acquire property like agricultural land, plantation and farm house. With the government allowing 100 percent repatriation, they can also take the rental income and capital investment in the property outside India, subject to the foreign exchange regulations.

The NRI/PIO may use his own funds to acquire immovable property; other than the option of availing home loan from bank for this purpose. The NRI's 'own funds' refer to the money received in India by way of inward remittance from overseas out of income earned

overseas, personal savings outside India. These funds can be remitted through Non-Resident External (NRE) or Non-Resident Ordinary (NRO) or Foreign Currency (non-resident) (FCNR) bank accounts.

Moreover, they can remit sale proceeds outside India for up to two such properties without any RBI approval. Remittance for subsequent properties requires RBI's approval. In case the property is acquired from rupee funds held in India, the remittance depends on the holding period of the property.

Residential(Housing): The cost of mortgage rates came down from 18% to 8% in the last 5 years.

Commercial (Office space): IT space leasing continues to boom with 12 million sq ft leasing in Bangalore, 6 million sq ft in Mumbai and 7.7 million sq ft in NCR (National Capital Region) in this year till date.

Retail (Shopping): Organized retail, which accounts for just 2% of the USD 200 billion sector, expect to grow from USD 4 billion to USD 15 billion by 2010.

The fact remains that the real estate prices in the world are sinking. But the real estate investment in India is ringing.