



# Time for NRIs to invest in Indian real estate

## Gulf Property Exclusive

**W**ith real estate prices market rebounding, it's a good time to invest in Indian real estate – especially for the Non-Resident Indian (NRI) community, a senior property fund manager said.

"With the changes in the regulatory environment and formalising the real estate investment trust (REIT) fund law, we see the market turning around gradually," Rubi

Arya, Executive Vice Chairman, Milestone Capital Advisors, told *Gulf Property* in an interview.

"Although the market has suffered from higher supply and low absorption level in the last few years, we feel that absorption will start this year as the market has already bottomed out."

With the recent policy reforms by the government, will help to improve the sentiments in the real estate sector such as foreign nationals and NRIs as well as foreign companies can now directly invest into domestic Alt Inv Funds (AIFs) in India, she



Rubi Arya, Executive Vice Chairman, Milestone Capital

says.

Real Estate Regulatory Bill has been long awaited and now finally passed will lead to a huge amount of transparency in real estate dealings.

"Apart from tax pass-through status awarded to investors into Indian Real estate PE, the Govt has also allowed treaty benefits on withholding tax for investors who can provide the requisite tax residency status. Investors are finding the real estate sector appealing mainly due to the relatively higher returns and stability on offer," she says.

## JLL opens India desk in Dubai

**J**ones Lang LaSalle (JLL), the global real estate investment advisory firm, has launched India Desk in Dubai, aimed at facilitating cross-border investments between India and the Middle-East markets.

This new initiative will advise GCC investors in managing their real estate investments in India while also advising investors and developers from India on entering the UAE and wider GCC markets. The desk is currently advising investors in Dubai to fund a development project in Mumbai, as well as shortlisting land acquisition in India for an Abu Dhabi-based group.

Gaurav Shivpuri, Head of Capital Markets at JLL MENA, said: "India has had a long-standing partnership with the UAE, and it continues to play a huge role in the region's economic success. As business interests resonate across borders, it is an opportune time to set up a platform to facilitate

cross-border investments."

Shobhit Agarwal, Managing Director – Capital Markets for JLL India, said: "By establishing this channel, we will ensure that our clients are able to unearth high potential investment opportunities in India and GCC Real estate as well as receive the same high quality of services that they are accustomed to across the globe. The market for cross-border investments has opened up considerably in recent times and we intend to be in the right place at the right time, offering the right services."

The firm's Dubai Desk will deploy the full bouquet of its services, including private placements, investment sales, joint ventures, debt syndication, investment acquisitions and investment analysis and structuring.

While servicing of institutional offices and high net worth individuals interested in investing into real estate in India is likely to dominate its activities, the Dubai desk will also help process proposals from developers who seek to capitalise on either of these lucrative shores. ■

"Government has brought in strong policy reforms that will bring in more transparency to the investors and end users. We believe that 2016 will be another active year for the global real estate investment market."

Meanwhile, more than 40 per cent of the NRIs living in the UAE prefer to buy Indian property as an investment, whether for the first time or as an additional asset, a latest survey conducted by Sumansa Exhibitions, the organisers of the Indian Property Show in Dubai, says.

About 43 per cent of the respondents opted to invest in

Indian real estate so that they could generate profit on it, as compared to 57 per cent who were buying property for personal use. Out of these 22 per cent were buying it for the first time, while for 21 per cent said, this was an additional investment.

"An increasing number of Indians are looking to park their wealth in Indian real estate because they foresee lucrative returns on investment," said Srividya Rajan, General Manager-Corporate Sales and Brand Engagement, Sumansa Exhibitions.

"At a time when the rupee

has depreciated against dollar, many investors feel the time is ripe to lock their savings in Indian property, before prices escalate. Moreover, with so many funding options available, buying an additional property for investment has become an easy choice, especially now that certain two- and three-tier Indian cities offer more affordable, yet luxurious, property, which promises to appreciate."

In another development, Mangalore emerged as yet another favourite property destination for NRIs in the UAE, finding a place among

the top 10 most popular cities. Mumbai and Bangalore continue to retain the top destination slots on the popularity chart.

Recent active developments has put Mangalore on the Indian map as one of the hottest property destinations to invest in. "Close proximity to Bangalore which buzzes with economic activity has given the city a strategic advantage, which have helped establish a real-estate demand in the city. Besides a popular tourist spot, Mangalore is also fast developing into commercial and IT hub with sound infrastructure.



The past few years also saw a number of builders focusing their efforts in coming up with a range of affordable and luxurious property in Mangalore, which maybe one of the reasons in its rising popularity among NRIs," added Srividya.

More than 14,600 NRIs across UAE participated in the survey which was conducted to understand the reason of buying property in India, preferred cities for investments, type of property, time frame, budget and finances planned, etc

Rubi Arya of Milestone Capital says, "With an accel-

eration in the economic growth which has grown to 7.5 per cent and pegged to grow at 8.2 per cent this year, we expect an increase in employment which will trigger buying spree among the country's young population.

"This is a very good time for the NRIs to benefit from the growth opportunities and we invite them to invest in India."

Formed in 2007, Milestone Capital Advisors is a privately held alternative investment advisory firm in India. Milestone's investors comprise of institutions, family offices, government organisations

and high net-worth individuals in India and overseas.

With over 22 million square feet of real estate development under management, Milestone has significant investments into the residential, commercial and warehousing sectors in India.

With over 100 years of combined investment management experience, our teams apply their experience in a hands-on manner to ensure that the investors' interests and objectives are vigorously pursued at all times.

Milestone has raised US\$800 million in nine real

estate funds and refunded US\$400 million. Arya said, her company is raising its 10th fund, a Rs500 million investment fund for the real estate market.

"Our funds typically offer a 20-22 per cent return per annum and has a life of 3-5 years life. With the new laws in place, we see a greater pool of foreign investment coming to India. We raised US\$500 million in 2015 and have already recorded US\$500 million in the first quarter of this year," she says.

NRIs could participate in the current fund with a mini-



imum investment of Rs10 million (Dh544,748) and receive a 20-22 per cent annual return. The company is investing in high-yield assets that offer a greater return on investment.

"This is safe investment and we are well regulated by the market regulator in terms of transparency and accountability," she said.

"NRIs and other foreign investors are now allowed to invest in domestic AIF (Alternate Investment Funds) under the automatic route. Earlier, it was possible only if such a fund has taken prior approval from the FIPB (For-

ign India Promotion Board) as these investments were not open under the automatic route.

"With an aim to boost the market and attract greater foreign inflows into AIFs, Infrastructure Investment Trusts and Real Estate Investment Trusts, the government's recent changes in the investment regulations is a positive step."

These changes will allow NRIs to invest directly in domestic funds and will give them confidence to invest due to ease in procedures.

"Also, along with category-I, category-II funds have

been given a pass-through status. The tax pass-through status will have a multi-fold impact on AIF with more high-networth individuals (HNIs) coming on board as investors," she added.

"The regulators would also be happy as they would prefer HNIs investing through AIFs while retail investors can choose the mutual fund route. For the time being, private equity players would be the biggest beneficiary. With foreign money coming into domestic AIFs, the commitments to investments within India will grow multifold, in coming years."

NRIs can also avail the tax benefits for their investments. There are certain provisions under Indian tax laws wherein NRIs can opt for special tax rates provided there is a tax treaty between two countries.

The revival of demand in both commercial and residential space is a good sign for the industry. Commercial real estate has already recorded a revival in past 10-12 months, followed by increased leasing activity in various sectors across India. Around 35.6 million square feet of office space is expected to become operational this year, backed by robust pre-commitment levels and overall positive business sentiments. On the residential front, the demand of over 4.25 lakh houses under 'housing for all' by 2022 scheme followed by development of planned 100 smart cities will play a key role towards growth of residential sector.

Ruby Arya says, affordable housing is expected to offer greater return in the coming years as the demand for small, affordable homes are expected to go up.

"We have funded four affordable housing projects that are offering good returns," she says.

"Besides, logistics, warehousing sector is also catching up due to a growth in economic activities across the country where there is a shortage of logistics and warehousing facilities." ■