

## THE AUSTRALIAN

### Indian real estate on the radar as Modi plans mass housing [Back to top](#)



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At 7 per cent real GDP growth that is secular in nature, India remains one of the most attractive investment destinations within not just the emerging market basket but across the global market.”

For ultra high net worth Australian investors who feel overexposed to domestic real estate, opportunities in subcontinental property markets presents an interesting diversification play.

Regarding Indian real estate, in December Modi announced a flagship housing scheme with the intention to provide “all Indians with housing by 2022”. To meet this ambitious pledge, Modi has made tangible changes in the recent budget including:

- A budget outlay of 230 billion Indian rupees (\$4.55bn) for real estate, up 53 per cent from last year.
- A newly given “infrastructure status” to affordable housing, which will provide developers cheaper loans, spurring development. This is significant considering they have been taking credit at around 13-16 per cent in the past.
- A 3-4 per cent interest subvention or grant for much needed housing development in rural parts of India.

The changes in India’s real estate policies indicate that Modi is looking to pivot away from former PM Indira Gandhi’s entrenched philosophy that “India lives in her villages, not in her towns”.

Interestingly, at present, residential property in India accounts for only 1 per cent of GDP. Negligible in comparison to China, where residential property accounts for 12 per cent of GDP, constituting a key pillar of economic growth. When discussing India, global investors always need to assess whether infamous Indian “hyper-bureaucracy” threatens an investment opportunity. Examples include:

- India’s erratic system of recording land purchases and providing planning consent — which is controlled by independent state governments.
- With an estimated two-thirds of civil litigation being property related, India’s judicial system which is known for its extended delays, makes rental disputes almost unresolvable.
- The government’s ability to requisition land for “fair” but compulsory compensation, deters housing improvements and development.
- Underdeveloped land titles regime at state and federal levels.
- The difficulty to gain construction permits, where India ranks 185 in the world, according to the World Bank’s Ease of Doing Business benchmark.
- Lack of transportation to the peripheral urban areas makes them near uninhabitable for those working in metropolis.

In order to achieve efficient and productive urbanisation, India requires not only economic growth but also revitalised infrastructure.

This is where Modi's vision of a real estate expansion from \$US126bn (\$163bn) currently to \$US850bn by 2028 is important, since it will accommodate urbanisation and allow real estate to become a cornerstone of the economy, with estimates approaching 13 per cent of GDP.

According to Laxman Vaidya, managing director, Lavik Estates, a tier-2 developer, "the real opportunity for housing in India is to cater to the affordable housing and the low income housing segments; this is the 'fortune at the bottom of the pyramid' that one should be focusing at. Tier-2 and tier-3 cities are where the future of Indian real estate opportunity lies".

Vaidya says: "The government has taken some major steps in creating a framework for the industry participants to function properly. Now is the right time to deploy capital with this strategy in mind".

An India with 1.3 billion people rapidly seeking to join the global middle class is an opportunity for Australian investors who understand greenfield property developments particularly well.

*Australian Standfirst is an ultra -high net worth wealth team focusing on high yielding global investments  
stirling.larkin@australianstandfirst.com*

## FROM THE HOMEPAGE

### 'Russia must withdraw Assad support' ♦

RACHEL BAXENDALE

Julie Bishop says it's time world leaders convince Russia to withdraw its support of Bashar Assad's regime in Syria.



### Cradle-to-grave home plan ♦

SIMON BENSON

The Turnbull government will pursue a 'cradle-to-grave' housing affordability package in the budget.



### 'Oldies' deserting Malcolm ♦

DAVID CROWE

Older people are deserting the government in a swing fuelling the rise of One Nation, a Newspoll analysis shows.



### West could unleash jihadist hell ♦

JENNIFER ORIEL

We have been here before; let's think before we commit to removing Assad.



### Assad faces life in a bunker ♦

MICHAEL EVANS, DAVID BROWN

Impunity has ended for Bashar al-Assad and the family that has ruled Syria with an iron fist since 1970.



### ABC, SBS no public purpose ♦

MAURICE NEWMAN

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### Inexcusable to say 'man up' ♦

REBECCA URBAN

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## Staffrooms 'being politicised' ♦

STEFANIE BALOGH

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