

CONSTRUCTING OUR FUTURE

Quarterly Newsletter

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In this Newsletter

1. Editorial



2. What Do Numbers Say ?



3. Realty This Quarter



4. Country in Spotlight - Dubai



5. Urbanopedia – Masala Bonds



6. Fireside Chat :

Shri. Gautam Chatterjee, Retd. IAS,
Founder Chairperson, MahaRERA





Editorial

Welcome to our monthly real estate newsletter! We are excited to bring you the latest updates, trends, and insights from the ever-evolving world of real estate. Each edition will delve into a wide range of topics, including market analysis, real estate trends, legal and regulatory updates, and interviews with experts. Let's embark on this real estate journey together and unlock the potential that lies within this exciting industry.

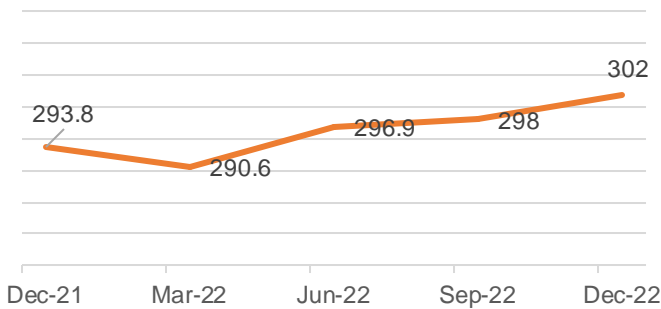
In our latest newsletter, we explore the impact of interest rate hikes and the fragile global economic outlook on the real estate sector in India, especially prices, sales, and stock market. Our Fireside chat features an exclusive conversation with Shri. Gautam Chatterjee, Former Chairperson of MahaRERA (Maharashtra Real Estate Regulatory Authority). Together, we explore the action plan required to revitalize the real estate sector. Shri. Gautam Chatterjee shares his invaluable insights, shedding light on the key strategies that India should focus on for Bharat@2047, as the country celebrates 100 years of independence. It is projected that by then, India will be the most populous nation on earth, with over 1.6 billion people, and approximately 50-60% of them residing in urban areas. This means that one out of every ten individuals on the planet will be living in Indian cities.

Stay tuned for an engaging and informative newsletter that will equip you with the knowledge and insights needed to navigate the challenges and opportunities in the ever-evolving Indian real estate market.

What Do The Numbers Say ?

Indian Housing Market continues to witness growth and remain resilient, despite rising interest rates and a weak global economic outlook. RBI increased repo rate from 4 – 6.5% over past one year, however, Indian Housing Market continues to grow due to strong demand.

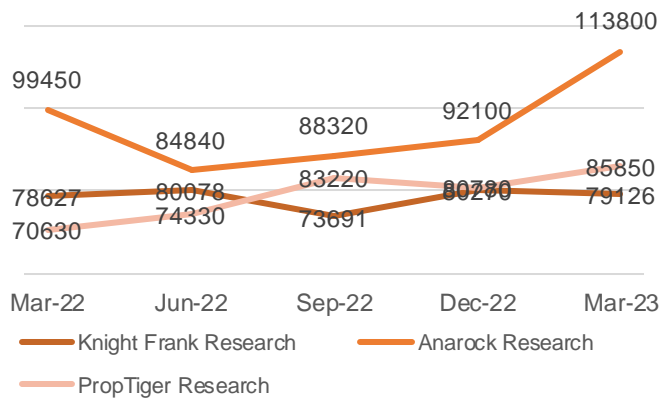
Over past One year, as per RBI Home price index, Home prices have increased by 2.8% across India. Sales have increased by 6% - 22% and consequent increase has been witnessed in BSE Realty Index.



RBI All India Home Price Index

RBI All India Home Price Index recorded a 2.8% y-o-y growth in October - December 2022 quarter.

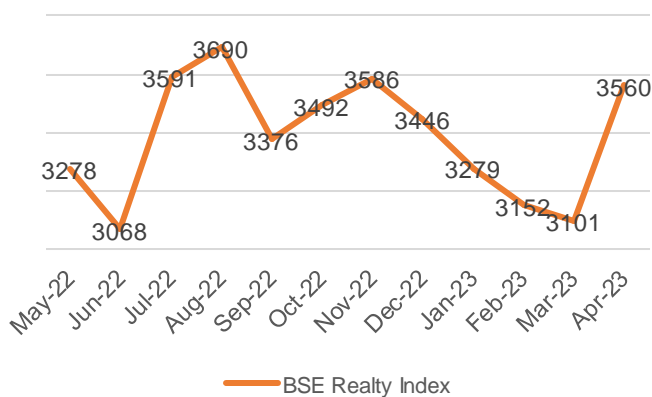
Even with the interest rate hikes by the Reserve Bank of India (RBI), prices in the real estate sector continued to rise during the last quarter.



Sales Trend – Pan India (No. of Units Sold per Quarter)

The Indian housing market is witnessing growth, with both sales and new launches on the rise.

This is particularly noteworthy considering the challenging global environment and the hardening of interest rates on home loans in the domestic market.



BSE Realty Index

BSE Realty Index comprising of Stocks of DLF, Godrej Properties, Mahindra Lifespaces, Macrotech Developers, Oberoi, Prestige etc. has also witnessed 8% increase y-o-y

National Policy Highlights



Housing Finance Companies to implement an early warning signal framework

The NHB (National Housing Bank) has asked housing finance companies with an asset size exceeding Rs 1,000 crore to implement an early warning signals (EWS) framework. The framework aims to identify potential financial frauds and prevent accounts from becoming non-performing assets.



Fractional Ownership of Real Estate Assets - Regulation

SEBI has observed a proliferation of online platforms providing fractional ownership of real estate assets over the last 2-3 years. Therefore, to safeguard small investors, SEBI has released a consultation paper to regulate all online platforms that provide fractional ownership of real estate assets.

Fractional ownership platforms (FOPs) enable investors to own a specific portion or fraction of a real estate asset by acquiring securities issued by special purpose vehicles (SPVs). The consultation paper aims to highlight the essential characteristics of such FOPs and suggests expanding SEBI's regulatory framework under the Regulations of 2014, with necessary adjustments, to include these FOPs within SEBI's regulatory ambit.

Revival & Completion of Legacy Stalled Projects

A 14-member committee, under chairmanship of Shri Amitabh Kant, Former CEO, Niti Ayog, formed to discuss the concerns related to legacy stalled projects and propose methods to finalize and deliver these projects to homebuyers within a fixed timeframe. Two meetings of this Committee have already been convened on 24th April 2023 and 8th May 2023. The committee shall submit its findings within six months of its first meeting



State Policy Highlights



MahaRERA Real Estate Agent Training & Examination

Aligned with Global Best Practices, Maharashtra Real Estate Regulatory Authority (MahaRERA) has mandated all Real Estate Agents to undertake MahaRERA Real Estate Agent Training and Certification.

The primary objective of the programme is to educate and train real estate agents in the guidelines and regulations set by the authority.

Haryana Disposal of Rented Government Properties Policy 2023

Haryana Government has recently announced "The Haryana Disposal of Rented Government Properties Policy 2023" which enables government departments, boards, corporations, and authorities to sell their properties such as shops or houses that have been rented or leased to private entities for 20 years or more.

Govt. of Tamil Nadu forms State High Level Committee to refine Urban Planning in Cities

The committee will assist the state government in drafting the State Urban Development Policy covering vision, strategy for spatial development, legislative framework, institutional strengthening, inter departmental coordination, urban planning capacity and other related aspects of State Government.



Country in Spotlight - Dubai

History

Dubai's history is marked by a series of transformations, from a small trading port to a major hub for business and tourism. The city's oil boom and subsequent diversification efforts laid the groundwork for the real estate boom that propelled Dubai to global prominence in the early 2000s.

1. Pre-oil era: Dubai was a small trading port in the Arabian Gulf in the early 20th century, with a population of around 20,000 people. The main industries were fishing, pearl diving, and trading.
2. Oil boom: The discovery of oil in Dubai in 1966 transformed the economy and led to rapid development. Dubai used the revenues from oil exports to build infrastructure such as ports, airports, and roads. The city also invested in education and healthcare and attracted foreign workers to fill the growing demand for labor.
3. Economic diversification: In the 1990s, Dubai began to diversify its economy away from oil, focusing on sectors such as tourism, finance, and logistics. The city's strategic location, excellent infrastructure, and business-friendly policies helped attract foreign investment and businesses.
4. Real estate boom: In the early 2000s, Dubai experienced a real estate boom, driven by government policies such as freehold ownership, tax incentives, and infrastructure investments. The city became a hub for high-end real estate projects and a global destination.

Dubai Real Estate Market Overview

Dubai's real estate market has historically been the largest and most active in the UAE, accounting for a significant portion of the country's real estate transactions. Dedicated measures encompassing sustainable land use planning, tax reliefs, policy reforms and regulations to protect investors have led to a flourished real estate industry in the city. Now days the city is one of the major investment hub on the global map:

Contribution to GDP – 7.25%

Investors by Nationality (2019) : With respect to nationality, the highest percentage of real estate transactions was for investors from the United Arab Emirates, with 19%, followed by investors from India at 16%, followed by investors from the United Kingdom(7%), Pakistan (7%), Saudi Arabia(5%) , China (4%), USA (2%), Canada (2%).



Dubai was the first emirate in the UAE to allow foreigners and expats to own property in designated areas or zones. In 2001, the Dubai Government granted foreigners the right to own property on a leasehold basis. The decree for buying property in Dubai on a freehold basis was passed in 2002.

The difference between freehold and leasehold property in Dubai mainly involves buyer rights. Leasehold ownership: in this case, a buyer will get property rights for a fixed term, which is a maximum of 99 years. However, the buyer will not own the property's land. The ultimate ownership of the land goes back to the freeholder.

Freehold ownership: Those who buy property on a freehold basis enjoy absolute ownership of the property and the land it's built on. The property can then be sold, leased or occupied at the owner's will.

Game Changer Initiatives

The UAE's real estate market growth can be attributed to a combination of factors, making it an attractive destination for investors and individuals looking to buy properties. The most significant among them are-

1. Policy of Freehold Ownership

The Dubai government's policy of freehold ownership was a game changer for the city's real estate industry. In 2002, the government allowed foreign nationals to own freehold property in designated areas, giving expatriates and foreign investors the right to own property in Dubai. This policy has led to a significant increase in demand for real estate, particularly in areas such as Dubai Marina, Palm Jumeirah, and Downtown Dubai.

According to the policy, foreign investors can purchase property in Dubai without the need for a local sponsor, and they have the same property rights as Emirati citizens. The policy led to yield range of benefits such as – increased demand, diversification as variety of properties (luxury villas, apartments, commercial properties, and more) have been available, boost to infrastructure development and economic growth

2. Instant Sale Feature: Dubai Land Department recently launched an 'Instant Sale' feature that leverages smart evaluation technology in real estate transactions to bypass the need for audits, enabling property purchases to be conducted securely in a matter of minutes

3. Attracting best of the talents- The Golden visa is a long-term residence visa which enables foreign talents to live, work or study in the UAE while enjoying exclusive benefits. Investors, entrepreneurs, scientists, outstanding students and graduates, humanitarian pioneers and frontline heroes are among those eligible for the Golden visa.

4. Investors' Paradise- Dubai offers rental yields of 6-10% which are unheard of even in many mature markets. Also, Dubai real estate market is highly regulated. Investors are protected by, and the developers are accountable to, a strictly implemented Real Estate regulation Authority.



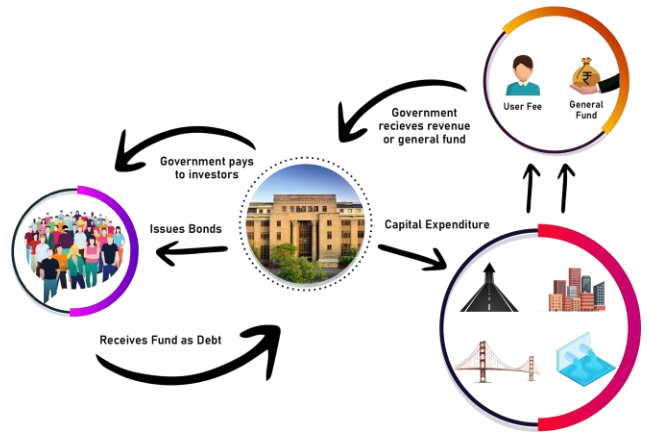


Urbanopedia

Welcome to the Urbanopedia, your comprehensive guide to understand the fascinating world of urban environments. In this section, we delve into one of the various topics related to cities, urban planning, urban policies, tools, concepts, architecture, and the dynamics of urban living and management. Our goal is to empower you with knowledge and foster a deeper appreciation for the intricate tapestry of urban landscape that shape our cities and their impact on our daily lives.

Urbanopedia – Masala Bonds

Municipal bonds (or munis) are debt securities issued by government entities especially Urban Local Bodies to generate funding for day-to-day operations or capital expenditure such as highway, bridge, schools and other civic infrastructure. Mostly the earnings are tax exempted.



CATEGORIES

Revenue Bond

Repayment of Interest and principal payments using revenue produced by a project/portfolio of projects being financed by the bond issuer



General Obligation Bond

Repayment of Interest and principal payments using any source of revenue/fund that's available to issuer



POPULAR TYPES

Green Bonds

A green bond is a fixed-income instrument designed to support specific climate-related or environmental projects

Blue Bonds

Blue bonds are pioneering financial instruments that are designed to support sustainable marine and fisheries projects. They are a subset of the green bonds.

Social Bonds

The social bonds finances or refines social projects or activities that achieve positive social outcomes and/or address a social issue

Masala Bond

Masala bonds raised funds in rupees from foreign investors to develop infrastructure projects. Currently they have 3 year maturity period



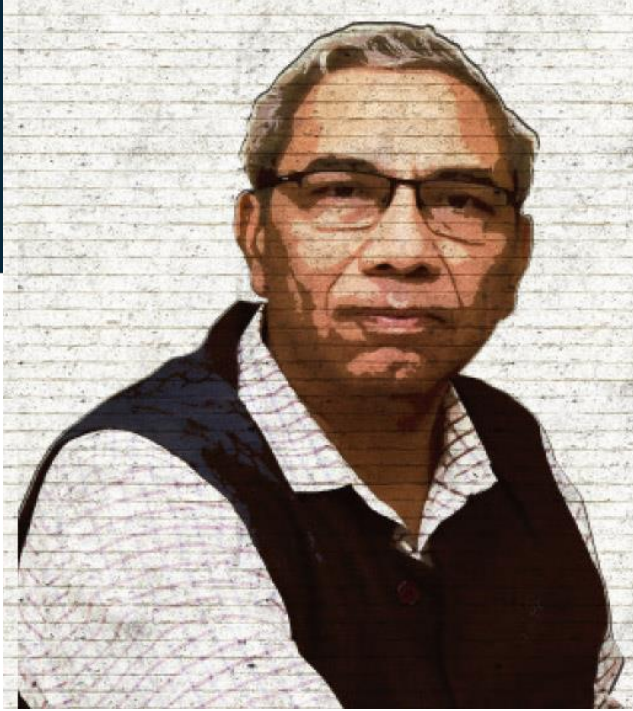
FUN FACT

Food seems to be a favourite source of bond naming to evoke the culture and cuisine of the respective country. Few popular bond names around the world

- **Masala Bond -India, Dim sum Bond- Hongkong, Maple Bonds – Canada, Baklava Bonds – Turkey, Kimchi Bond – South Korea**
- Animal names are also popular in naming bonds, like : **Bulldog Bonds – UK, Kangaroo bonds – Australia, Kiwi Bonds – NZ, Panda Bonds - China**

Fireside Chat

Shri. Gautam Chatterjee, Former IAS Officer, Founder Chairperson, MahaRERA



Bharat @2047, when India completes 100 years of independence, shall be the biggest nation on earth in terms of population, with more than 1.6 billion people. Of these, about 50-60% shall be living in Urban Areas. Basically, One in Ten people on Earth, shall be living in Indian Cities.

What would be the three things you would like our country to aim at for Bharat @2047 in the Real estate sector?

The three things that come to my mind are

- a) Reorienting Public Private Partnership (PPP) to People Public Private Partnership (PPPP)
- b) Quest for 3As- Adequacy, Affordability and Acceptability
- c) Ushering in 3Ts- Transparency, Trust and Time Adherence

The trends of urbanization in the country are similar across the States. The State Parastatals like the housing boards/development authorities and the private housing market, put together, are simply unable to cope with the rapid influx of migrants, a majority being less endowed people. Data on housing shortage bears witness to the fact that the scale and quantum of housing units being built, including those under Public Private Partnership, remain, as they have historically, inadequate to the scale of the problem.

Interestingly, the Indian cities today are marked not by homelessness but by existing, self-built and inadequate housing where the legal documents and living standards of most of the households do not comply with the formal housing system. Consequently, cities today are faced with informal settlements or slums as we call them, ranging from 25% to over 50%, increasingly dividing the cities into authorized and the unauthorized neighborhoods, though the informal settlements have a strong symbiotic relationship with the formal.

Housing policies in India have traditionally focused strongly on individual titling and ownership as the preferred mode of increasing access to housing in the country and an utter neglect to rental housing. In Maharashtra too, almost all new housing being built, whether by the private developers or the inadequate social housing by the Housing Board or the populist unsustainable free rehab tenements built under SRA or other redevelopment schemes, are for ownership purposes

Therefore, the three things in my wish list would be:

1. Support community led initiatives to ensure environment friendly and sustainable development for a green Indian Real Estate Sector by reorienting Public Private Partnership (PPP) to People Public Private Partnership (PPPP) with a robust community centricity. This would imply that the community is proactively engaged and made to participate in decision making when implementing in-situ redevelopment or in-situ upgradation programmes. The self-building efforts of occupants must be duly recognized.
2. Aim for implementing an effective policy for achieving Adequacy, Affordability and Acceptability. Today we have Adequate housing stock which are Acceptable to Dev Control Regulations Standards but they are not Affordable, we also have Adequate informal housing stock, both ownership and rental, which is not Acceptable to DCR standards, but may be Affordable but we do not have Adequate, Affordable housing built to standards set by Authorities and therefore Acceptable.

Active private sector participation, along with adequate regulation, in creating affordable ownership and rental housing with emphasis on strategies for freeing up and upgrading the existing rental stock, and for incentivizing investments in new rental housing by ensuring adequate returns. Affordable Rental Housing Complexes (ARHCs) for Urban Migrants/ Poor) to provide decent rental housing at affordable rate to urban migrants who stay in slums/ informal settlements/ unauthorized colonies/ peri-urban areas with an effective Tenancy Act, tweaking of the present free ownership SRA scheme to allow rental accommodation for the ones currently staying in slums on rent. However, an effective regulatory framework to ensure creation of affordable rental housing stock to the requisite scale, proper Operation & Management of the complexes and identification and access of the vulnerable population to the ARH Complexes. These models will need detailed management structures at institutional levels, fair processes of allocation, rent-setting, and eviction, as well as a growth trajectory to cater to future demand. The public sector currently lacks both the mindset as well as capacity to manage the financial and operational aspects of rental housing.

3. We all agree that The Real Estate (Regulation and Development) Act, 2016 RERA which ushered in a paradigm shift in the sector, has formalized the sector and brought it under a much-needed regulatory framework. RERA is such a game changer that experts say that the sector will always be known by what was pre-RERA and what happened post-RERA.
 - a) Transparency for Removal of information asymmetry and opaque practices in the real estate sector with online disclosures in public domain, bringing in accountability and fiscal discipline and most importantly, empowering home buyer citizens to make informed choice with greater awareness creation.
 - b) Trust building, by Bridging trust deficit between promoters and buyers and providing Speedy Grievance redressal through Quasi-judicial process &/or conciliation but adopting Alternate Dispute Resolution methods as a priority and not an alternative for resolution of grievances.
 - c) Time Adherence for completion of Registered Projects.



2. What new technology advances would you like to witness in Real Estate Sector in Bharat@2047?

Industry players must become innovation leaders and early adapters of appropriate technology. Need to use proptech- tools like Robotics Process Automation RPA, augmented reality, blockchain, AI/ML, advanced analytics, omnichannel communication, Internet of Things IOT, nano tech and smart logistics and supply chain. This will require digital proficiency and professionalism, mainly in Tier 2/3 cities both for project promoters and their channel partners and real estate agents for bringing in uniformity/standardization in business practices and transactions.

3. If you had to invest in any real estate asset now. Which one would you invest and which city?

A city with reasonable levels of infrastructure, safe to live in and where the future plans of Govt promise better infrastructure and connectivity. Fast development of infrastructure like highways, metro projects and others will ensure the real estate industry gets an option to spread its wings to the outskirts of city limits as these areas will get connectivity.

These will ensure that my tangible asset will appreciate from an investment point of view or will be a comfortable asset for personal utilization

4. If you had to purchase a house, what would be the important parameters you would consider before purchasing

The parameters mentioned above will of course be guided by my affordability

5. Lighting Round (Just one word answer)

- | | |
|---|--------------------|
| a) Villa or Apartment? | Apartment |
| b) Under-construction or Ready-to-move? | Under construction |
| c) Real Estate or Mutual Funds? | Both |
| d) Home: Proximity to Family or Friends or Proximity to work? | Work |

