



## FOREIGN DIRECT INVESTMENT IN HOUSING AND REAL ESTATE: TRENDS AND PROSPECTS IN INDIA

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### **ABSTRACT:-**

According to estimates, India's real estate market is worth over 24022 million USD and has been expanding at a rate of over 30% over the past few years. According to the most recent statistics, this sector grew admirably through FY 2014. Even though it hasn't reached the level required by the nation's current housing and related infrastructure, the trajectory in the housing and real estate segment has been encouraging over the course of the time. An important aspect of the Indian real estate market is that roughly 80% of it is made up of residential space, with the remaining 20% going to businesses like offices, malls, hotels, and hospitals.

**KEYWORDS:** Housing and real estate development, foreign direct investment.

### **INTRODUCTION**

High levels of offshoring firms are thought to be the main source of Indian real estate's remarkable development rate (including high-end technology consulting, call centres and software programming houses). Because of its extensive forward and backward links with more than 250 other businesses, the housing and building industry has been shown in numerous research studies to have the potential to drive economic growth (and even to jump-start an economy that has been hit by a recession). This paper aims to analyse the trend and pattern of FDI flows into India with a focus on FDI into the housing and real estate sector, in the recent context of a not-so-encouraging performance of FDI flows, and to suggest strategies for enhanced use of FDI for housing and real estate development, and thus development of the entire economy.

### **ANALYTICAL SIGNIFICANCE AND RESEARCH GAP**

Because housing investments have the potential to generate more demand through multiplier effects on many other related industries, emerging countries like India can benefit greatly from rapid

housing construction. Private investment is essential and will become even more so in the future as government financial restrictions limit investment in the housing sector. For increased investment in the housing sector and other related industries, FDI has a significant role to play in this context. As has already been mentioned, the most recent pattern of FDI flows generally is not encouraging. FDI flows into the housing and real estate sectors in particular have grown consistently since FY 2006, although there is still room for more given the quality of the housing infrastructure today. All of the aforementioned facts indicate the necessity of a thorough analysis of the FDI scenario in order to adopt well-planned, concisely stated, and realistic strategies for a more effective use of FDI for housing and real estate development, and consequently for the development of the national economy. Studies on foreign direct investment (FDI) in the housing and real estate industries are extremely rare, especially those that cover the period after reforms since 2000. So, this work aims to close this gap.

### **OBJECTIVES OF THE PAPER**

- i) To examine the trajectory and pattern of FDI into India, particularly FDI into the housing and real estate sectors.
- ii) Researching housing and real estate investing features.
- iii) Offer practical solutions for increased FDI inflows into the Housing and Real Estate sector in India for faster development of this sector and therefore that of the entire economy.
- iv) Identify the prospects of FDI flows into the Housing and Real Estate sector in India.

### **INDIAN SCENARIO IN FOREIGN DIRECT INVESTMENT IN HOUSING AND REAL ESTATE MARKET SIZE**

By 2020, the size of the Indian real estate market is anticipated to reach US\$ 180 billion. Five to six percent of the nation's GDP comes from just the housing sector (GDP). The market size of this industry is predicted to rise at a compound annual growth rate (CAGR) of 11.2% from FY08 to FY20. Significant growth is also being seen in retail, hospitality, and commercial real estate, which is essential infrastructure for India's expanding demands. In the past 10 months, private equity (PE) investors have invested US\$ 1.2 billion in real estate, making it the second most active industry.

In order to boost their rent-paying commercial assets in Asia's third largest economy, foreign investors purchased tenanted office space in India in 2014 for over US\$ 2 billion, a four-fold increase from the previous year. According to a Knight Frank analysis, Mumbai is the finest city in India for investing in commercial real estate, with returns of 12–19% predicted in the following five years. Bengaluru and Delhi–National Capital Region are the next best cities (NCR). With 110 million square feet of office space, of which 88 million square feet were occupied, Delhi-NCR was also India's largest office market. Recently, there has been a significant demand for office space in industries like IT and ITes, retail, consultancy, and e-commerce. According to a CBRE report, Connaught Place in Delhi's Central Business District (CBD) is the sixth most expensive prime office market in the world, with annual occupancy costs of US\$ 160 per square foot.

## INVESTMENTS

The increased demand for business and residential space has led to rapid growth in the Indian real estate market in recent years.

After a three-year acquisition campaign in which it spent US\$ 900 million to purchase prime assets, Blackstone Group Lp is poised to become the country's largest owner of commercial office space.

Data from the Department of Industrial Policy and Promotion (DIPP) shows that from April 2000 to December 2014, India's construction development industry received FDI equity inflows of US\$ 24,012.87 million.

### Some of the major investments in this sector areas follows:

- Common Floor.com, an online property search engine based in Bangalore, has received funding from Google Capital.
- Omkar Realtors and Developers Pvt Ltd is in discussions to raise Rs 400 crore (US\$ 66.68 million) from Kohlberg Kravis Roberts and Co LP, the international investor's local affiliate in India (KKR).
- Goldman Sachs Group purchased shares in Vatika Hotels Pvt Ltd, a company owned by real estate and hospitality company Vatika Group, for Rs 255 crore (US\$ 41.23 million).
- Soft Bank Internet and Media Inc. would contribute US\$ 90 million to Locon Solutions Pvt Ltd, which operates the real estate website Housing.com, along with Falcon Edge Capital and other investors. After this round of fundraising, The SoftBank Group will hold the position of largest investor in Housing.com.
- Hamad bin Khalifa Al Thani, a prince from Qatar, intends to spend Rs 1,000 billion (US\$ 16.17 billion) in at least 10 smart towns in India over the next five years. He has already partnered with a billionaire from Delhi to further the investment through real estate, marine ports, airports, and smart city initiatives.
- Over the next few years, real estate company Supertech plans to invest over Rs 2,000 crore (US\$ 323.49 million) in Gurgaon by developing a number of opulent and reasonably priced projects.

## GOVERNMENT INITIATIVES

According to Mr. M. Venkaiah Naidu, Union Minister of Urban Development, Housing and Urban Poverty Alleviation and Parliamentary Affairs, Government of India, 30 million houses will be built under the Sardar Patel Urban Housing Mission by 2022, primarily for the economically weaker sections and low-income groups, through public-private partnerships (PPP), interest subsidies, and increased flow of resources to the housing sector.

Several actions have been taken to promote the growth of the sector by the governments of India and the relevant states. These are a few of them:

- The Government of India has simplified the rules to allow foreign direct investment (FDI) in the construction development sector.

- The Government of Maharashtra has announced a number of initiatives to promote transparency and make doing business in the real estate sector easier. This action should encourage the development of affordable housing and smart cities nationwide.
- Real estate investment trusts (REITs) and infrastructure investment trusts will be governed by final rules that have been announced by the Securities and Exchange Board of India (SEBI) (InvITs). This action will make it simpler for cash-strapped developers to acquire funding and open up a new investment route for institutions, high-net-worth people, and eventually regular investors.
- At the Hitex Centre in Hyderabad, the Telangana Real Estate Developers' Association (Treda) will organise the Fifth Treda Property Show 2014. The event is available to a wide range of people, including investors, architects, and potential home buyers.
- With the introduction of a programme called "Sanketham," the State Government of Kerala has made the decision to streamline the procedure for obtaining building licences from local authorities. As a result, there will be more uniformity in the process, greater transparency, and less corruption and bribery.

### **ROAD AHEAD/STRATEGIES**

Real estate developers have also changed directions and embraced new challenges in response to a more knowledgeable consumer and in light of the globalisation of the Indian business mindset.

The transition from family-owned to professionally managed firms has been the most obvious change. Real estate developers are investing in centralised systems to source materials, plan labour, and hire experienced experts in fields like project management, architecture, and engineering to fulfil the increased need for managing many projects across cities.

FDI into Indian real estate is increasing, which is driving more openness. Developers have updated their accounting and management systems to meet due diligence criteria in order to seek investment.

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