

# Mid-income housing in India will need at least six million units

DUBAI Anjana Kumar

Demand for mid-income housing in India remains high, but the country needs to match and meet construction timelines, realty analysts said.

"Currently, the biggest opportunity in India is for people earning between Rs10,000 (Dh790) to Rs20,000 per month. There is a good immediate need for six million housing units in this income bracket," said Amit Bagaria, Chairman of Asipac Group, a real estate development services and project marketing company.

Bagaria also said there is a gross shortage of commercial properties and a massive demand in the logistics sector in India.

"Foreign investments began to flow into India from 2005 but has only touched some parts of the country. Of the 1.2 billion population, 99 per cent of foreign investments have gone into the top seven cities of India comprising 75 million of urban population.

"Foreign investments have reached only three to four asset classes in the country," he said.

Shubhada M Rao, Chief Economist of Yes Bank, said: "Capital inflows into the country hit \$15 million (Dh55m) in April this year. With a strong policy support and regulations in place for the real estate sector, there is no doubt India is a growth destination."

Navin Raheja, Managing Director at Raheja Developers, said: "According to statistics revealed last week, the overall residential demand in India is currently 7.5 million units. This is more than the population of most countries. There is a massive demand for office space of 1.9 million sq ft. The retail demand is 66 million sq ft."

"All this is actual demand. There is a massive local consumption in India as the disposable income of people have been growing. Investments into housing are basic necessities. Indians look to buy a house first when they find a job. India as a country too has been growing," he said.

Raheja said that unlike some of his counterparts



Amit Bagaria



Navin Raheja



Shubhada M Rao



Rakesh Patnaik

who have projects here in the UAE, Raheja Developers has no plans to enter the country for the moment. "We find the country already has a surplus at the moment and we have no plans to build in the UAE for now."

Rao said: "Even in our worst year, which was last year, we have reported a growth of 6.7 per cent. Going forward when the global market stabilises, I can only see a further growth for India."

"The structural growth drivers have remained strong in India. However, when the global economy coupled there was an impact in the country. The

liquidity constraints was strong for us. We had sharp volatility in capital growth. The decoupling theory did not work out in India," said Rao.

She said, for those who have seen India grow at a consistent 8.5 per cent to nine per cent since 2004, will continue to be attracted to the country.

"Domestic real estate demand is so high and that is what is keeping us going in the economy," said Rao.

Real estate analysts speaking at a conference said the future for India remains stable and the real estate sector will be a strong growth driver for the country. Raheja cautioned in-

## REGULATORY AGENCY BY Q3 2010

India will have a real estate regulatory agency by the third quarter of next year, according to Indian real estate experts.

"There is a draft real estate regulation act, which has now been circulated to industry bodies to invite public comment. There is a three-month waiting period that the government is taking to receive feedback. A committee will be set up to look at the feedback

and incorporate the need changes on the draft act," said Amit Bagaria, Chairman of Asipac Group.

"By this time next year there should be a regulatory authority in place in India."

He said the introduction of a real estate authority is likely to increase transparency in the market and assuage investor fears.

The move will also help increase foreign investments, he said.





**IN DEMAND** Newly constructed residential apartments in Hyderabad. Capital inflows into India hit \$15 billion in April this year AFP

investors to deal with reputable developers in India. "One has to be careful where you invest in the country and who you invest with."

"What India lacks is the executing capacity. If we get partners who will help improve our systems and technology, it would help the country more," said Raheja.

Bagaria said: "One of the pitfalls in India is the construction timelines. We heard Dubai finished its Metro in four years. In Bangalore, it has been nine years and we are still waiting for our metro to be built."

Rakesh Patnaik, Vice-President and Head of Real Estate Funds, Alternative In-

vestments Department, Global Investment House, said: "Before we used to convince ourselves that India is a good story. Over the years India as a real estate destination is well recognised. Today I don't have to sell India anymore. People recognise the country and its growth potential."

"Just like any other emerging markets, the returns in India are advantageous. With the market getting more sophisticated, there will be more sophisticated opportunities in the country," said Patnaik.

Raheja said since 1993, from the time Raheja Developers started investing into

the real estate sector, the returns have been as much as 200 per cent. "As a developer since 1993, if I look back and calculate the entire returns we made - it is more than 200 per cent. But every developer is not a Raheja."

"Developers in India have to understand local dynamics, and calculate demand

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There is a massive demand for office space of 1.9 million sq ft. The retail demand is 66 million sq ft

**Raheja Developers**

and supply and these are some factors to be understood," said Raheja.

Patnaik said India is seeing a transformation as developers move from being family owned businesses to global corporates "Indian developers are looking to corporatise their business from being family-owned businesses. If you look at the scenario about two to three years ago, developers were family-owned businesses. However, developers are now increasingly looking to corporatise themselves," he said.

"While family owned businesses run well, the corporate developer needs to have his risk management and compliance in place to get a corporate identity."