National Real Estate Development Council
Under the aegis of Ministry of Housing & Urban Poverty Alleviation Government of India

Asia Pacific Real Estate Association

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Building the economy block by block

Real estate and infrastructure

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Message from PwC

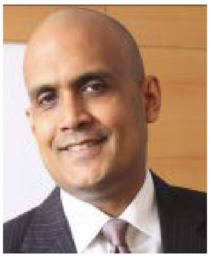
Infrastructure and real estate are the two most critical sectors for any developing economy. A well-developed infrastructural set-up propels the overall development of a country. It also facilitates a steady inflow of private and foreign investments, and thereby augments the capital base available for the growth of key sectors in an economy, as well as its own growth, in a sustained manner.

With rapid urbanisation, a growing economy, an ever-increasing per capita income and policy support from the government, the real estate market is expected to surge from annual market size of 126 billion USD in 2015 to 180 billion USD in 2020.* This growth will be supported by the substantial quantum of capital infusion, which is a key catalyst factor from the developers/constructors' point of view.

As two of the largest employers in the country, both the real estate and infrastructure sectors have made great strides in the last decade and have received the attention of key policymakers, banks and corporates to formulate and implement regulations. In order to equip the nation with world-class infrastructure and real estate in a time-bound manner, considering the paucity of public funds available to stimulate their growth, it is imperative that additional channels of financing are put in place.

The Real Estate (Regulation and Development) Act, 2016, along with public-private partnership (PPP) initiatives such as the hybrid annuity model, which are better suiting the risk appetite of long-term investors, are proving vital to the sector's revival. With the modification of the FDI norms, an increased number of foreign players are expected to enter the market potentially, bringing in new technical capabilities. Real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) are investment vehicles that can be used to attract private investment in the infrastructure and real estate sectors, and also relieve the burden on formal banking institutions.

This white paper, a collaborative effort between PwC India, NAREDCO and APREA, highlights the importance of the real estate and infrastructure sectors in India to drive growth. Through this paper, we have tried to highlight the various regulatory and policy reforms that the government has drafted to boost the sector. The paper also highlights the key areas which need further stimulus and funds (from different channels and in different forms) to ensure further development. We would like to extend our gratitude to all the stakeholders involved in putting together the paper. Hope you find it an insightful read!



Abhishek Goenka
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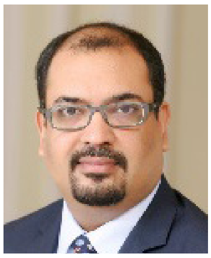


Shashank Jain
Leader
Real Estate Deal Advisory

* Source: IBEF (http://www.ibef.org/industry/real-estate-india.aspx)

Message from NAREDCO

It gives me great pleasure and pride to present the National Real Estate Development Council (NAREDCO)–APREA–PwC white paper to be released on 13 October at the investor's summit.

Following last year's successful investors' summit for real estate and infrastructure, NAREDCO, in association with the Asia Pacific Real Estate Association (APREA), has convened the Real Estate and Infrastructure Investors' Summit 2016 on 13 and 14 October 2016 in Mumbai.

The real estate and infrastructure sectors in India have faced challenging times in the recent past, and the Government of India, as also the state governments, are working on positive changes, which one hopes will get the industry back on track. We appreciate the introduction of 'The Real Estate (Regulation and Development) Act, 2016', which effectively brings in transparency and professionalism in real estate and infrastructure, and will also create positive sentiments where home buyers are concerned. The Prime Minister's initiatives, such as 'Smart Cities', should also result in positives that will accrue to the industry.

The NAREDCO–APREA–PwC white paper will definitely make a huge difference to this process; I hope it will help leverage technology and resources in thoughtful and pragmatic ways.

Niranjan Hiranandani
Founder and First President (Maharashtra)
National Real Estate Development Council (NAREDCO)

Message from NAREDCO

The second Real Estate and Infrastructure Investors' Summit 2016 is a landmark event being organised by NAREDCO. Real estate, housing, construction and infrastructure are critical sectors for increasing India's GDP. There is a huge opportunity awaiting investment in this sector within the country, as well as from sources outside. India's robust economic growth offers a chance for fresh investments to generate commensurate returns, alongside the promotion of employment, associated industries and a new paradigm emerging to meet the aspirations of a young country demographically, leading to a spike in the prosperity of the nation.

The summit will offer a venue for a meeting-of-the-minds of all the major players in this industry, Indian and foreign institutions, as well as for an in-depth analysis of factors which currently impact the economy of India and will continue to do so in the short to mid-term. The summit will be a common platform for discussions between experts in these inter-related industries and institutions for concluding traditional and new economic structures for this sector.

It is my sincere hope that this summit will become a regular feature in the economic calendar of our country and especially that of this industry.

Rajeev Talwar
Chairman
NAREDCO CEO, DLF Limited

Message from APREA

Cities are the central nervous systems of economic development and prosperity.

They are history's most successful platform for lifting families out of poverty and unlocking opportunity. Cities can also invigorate the communities, clusters and villages that feed or complement urban growth.

Urbanisation is more than an economic equation.

If well managed, cities and townships can deliver broad scale social dividends, better harness natural capital and improve public governance.

This publication looks at several policy approaches that can help secure growth that is sustainable and delivers benefits to multiple generations. The goal is to customise tried and tested policy prescriptions to India's circumstances.

By better connecting up India and unleashing the nation's extraordinary social capital, India can leapfrog earlier models of urbanisation where it actively deploys new technology, innovative financing techniques and superior strategic planning methods based, driven by vibrant leadership.

India's urban realm has entered an exciting new era, powered by distinctive economic, social and political dynamics:

- India is in a long-term **demographic sweet spot** that is boosting demand for most types of real estate;
- The nation's **economic fundamentals continue to improve** and are more compelling than most countries in the West and many in Asia;
- The **securitisation of real estate – REITs and InvITs – will foster greater economic velocity**, along with a more efficient and transparent market;
- Real estate is also evolving into a vehicle for stewarding **mainstream community wealth**;
- The Modi Government's **nation-building programs will deliver direct growth dividends** to the real estate industry; and,
- The opening-up of India's capital markets will attract more **international investors** who will help diversify funding and financing platforms.

This PwC, NAREDCO, APREA publication explores opportunities for maximising these national assets while facing up to the realities of legacy systems and policies. We are committed to providing the private sector leadership that will deliver inclusive growth and prosperity faster.

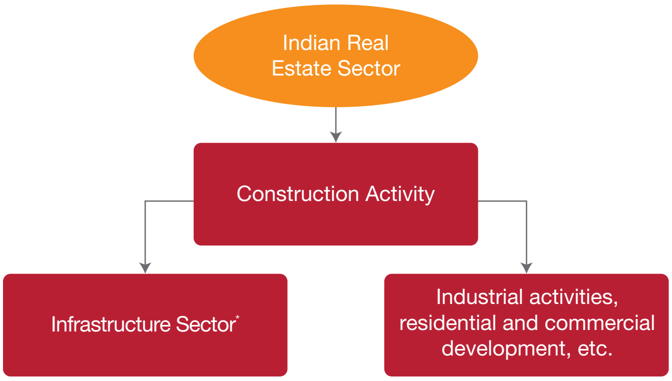
Peter Verwer,
Chief Executive,
Asia Pacific Real Estate Association (APREA)

Section 1: Where we are

The overall development of the country is shaped by well-developed infrastructure. Sustained development of the country's infrastructure complements the growth of other sectors, leading to the overall development of the country.

The Indian real estate sector is the second largest employer and contributor to economic activity in India, and accounts for the second highest inflow of foreign direct investment (FDI). The sector employs more than 35 million people.[1]

Indian real estate sector



* comprising of real estate linked infrastructure development

In India, 50% of the demand for construction activity comes from the infrastructure sector; the rest comes from industrial activities, residential and commercial development, etc.

Given the significance of the sector in the overall growth of the economy, this sector has recently received a great impetus from the government, both in terms of policy initiatives as well as rationalisation of tax reforms. Also, India's real estate industry has witnessed a paradigm shift from traditional finance to an era of structured finance, private equity and public offering.

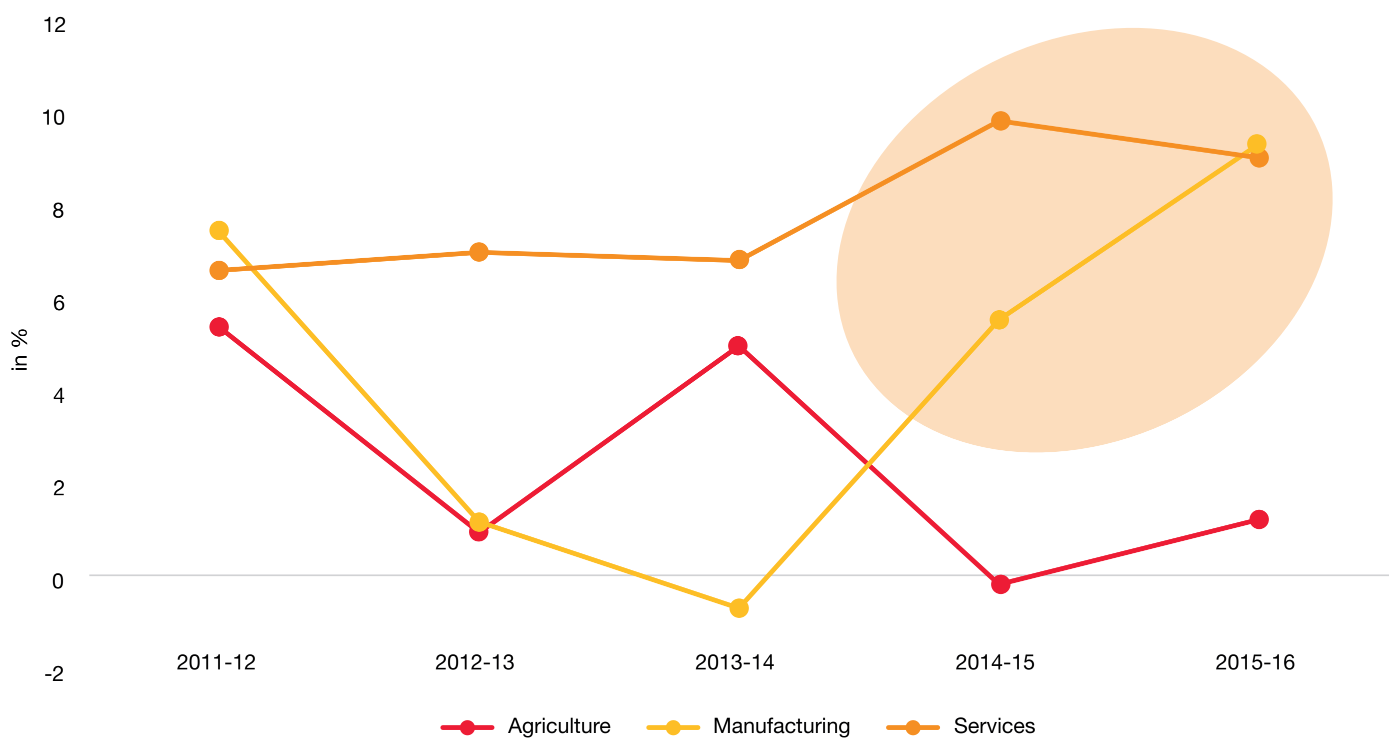
[1] Source: www.makeinIndia.com

Section 2: The 'next leap'

Market outlook

By registering a GDP growth of 7.6% in FY 2015–16, India has reinforced its position as the fastest growing economy. The Indian economy slowed down during 2012–2014; however, it rebounded post 2014 to become the fastest growing economy in the world, and is estimated to maintain the momentum with 7% plus GDP growth rates over the next five years.

GDP composition: Major sectors



Source: Planning Commission, Ministry of Statistics and Programme Implementation

The service sector continues to spearhead financial growth in the country relative to the other sectors, and the agricultural sector continues to provide high employment. The manufacturing sector and supporting infrastructure have been identified as the elements that are lacking. However, the same has seen upward trend since FY 2013–14.

Growth momentum in the service and manufacturing sectors is likely to continue and is critical for India to achieve 7% plus GDP growth. This in turn would require investment in real estate and supporting infrastructure. The real estate market, which was about 126 billion USD annually in FY 2014–15, is estimated to be about 180 billion USD by FY 2019–20.

Annual market size expected to increase ~1.4 times (billion USD)

Source: http://www.ibef.org/industry/real-estate-india.aspx

The real estate market is expected to grow at a CAGR of 7.4% in the next five years.

Key drivers of demand

Sustainable economic growth, urbanisation and rapid change in socio-economic profile will continue to drive demand for real estate in India.

Economic growth

- Growth in the service sector is expected to raise demand of real estate sector
- Focus on industrial corridors and nodes to boost manufacturing output – expected to raise related real estate demand

Urbanisation

- About 10 million per annum people moving to urban cities
- Urban cities are expected to contribute 75% of the GDP by 2030

Smaller family size

- Household size is expected to decrease from 4.8 currently to 4.4
- Smaller household size is expected to add incremental demand for about 10 million new housing units

Rising income levels

- Per capita income in India is expected to increase from 2,800 USD in 2012 to 8,300 USD by 2028

Additionally, growth in the government's push to the tourism industry and initiatives like e-visa facilities and extension of visa of arrival facilities are expected to increase foreign tourist arrivals at a rate of 8% per annum. This means a demand for over 2 lakh hotel rooms by 2020 as compared to 63,715 rooms in 2015. Further, in addition to economic growth, meetings, incentives, conferences and events (MICE) tourism is expected to result in an increase in the demand for real estate development. MICE tourism is estimated to contribute to about 0.22% of the GDP.[2]

Government initiatives

The government has taken a number of steps in the past two to three years to boost confidence and investments in the real estate and infrastructure sectors:

FDI Relaxation

- Relaxed FDI norms to attract investments in Defense, building townships, housing and infrastructure

New PPP Initiatives

- Revisited risk-return allocation between public and private sector in PPP projects
- Introduced Hybrid Annuity based PPP model in road sector and others like railways proposing to introduce the same

The Central Port Authorities Act 2016

- This shall replace the existing Major Port Trust Act, 1963 as a part of reforms in the ports sector
- Removes regulation of Tariff by TAMP
- Aims to give more autonomy to the major port trust including fixing of tariffs

NIIF*

- National Investment and Infrastructure Fund or NIIF – Set up to attract investment from both domestic and international financial sources for infrastructure development in commercially viable projects

RERA**

- Approved in 2016 by the both houses of the Parliament
- Act aims to regulate and promote real estate sector, Protect interest of consumers, Ensure sale of plot, apartment in efficient & transparent manner and Establish adjudication mechanism

[2] FICCI – India Inbound MICE Tourism
* National Investment and Infrastructure Fund
** Real Estate (Regulation and Development) Act, 2016

Thanks to government policy actions, in terms of FDI inflows, real estate is the fourth largest sector and is steadily rising.

The liberalisation of FDI rules for the real estate sector, opening up of the domestic fund industry to foreign investment and the passage of the Real Estate (Regulation and Development) Act, 2016, have provided a boost to this industry. Also, the Indian government's strong resolve to provide housing for all by 2022 and the development of smart cities have led to increasing activity in this sector.

The government has provided relaxations in FDI-related norms for the construction development sector. These include:

- 100% FDI is permitted in the construction development sector (which includes development of townships, construction of residential/commercial premises, roads and bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional-level infrastructure and townships) and industrial parks.
- Minimum area and capitalisation requirements have been removed.
- Lock-in for construction/development – 3 years or project completion or completion of trunk infra, whichever is earlier
- 100% FDI permitted in three categories of stabilised assets:
  - Townships
  - Business centres
  - Malls/shopping complexes

Emerging themes in the Indian real estate market

Real estate has been conventionally looked at as mainly residential, commercial (office and retail) and hospitality. However, lately, newer themes are gaining momentum and offering enormous opportunities to various types of investors. These include:

Affordable housing

- Government's target of 'Housing for All by 2022'

Smart cities

- 100 smart cities – 60 cities already approved
- Estimated investment outlay of over 22 billion USD by 2020

Infrastructure linked real estate development

- Aerotropolies or City Side Development
- Transit Oriented Development (ToD)

Industrial corridors related opportunities

- Six industrial corridors in various stages of planning and development

Emerging themes in the real estate sector in India

(A) Affordable housing

Focus on affordable housing, creation of smart cities and infrastructure development have been the BJP-led NDA government's manifesto. As per the Government of India estimates, there is a current shortage of about 60 million housing units: 20 million in urban areas and 40 million in rural areas.[4]

Of the housing need in urban areas, 70% is mainly in the affordable segment. This has necessitated the government to look at development of new integrated cities and creation of affordable housing. This will help in the creation of more housing and newer industrial corridors which will lead to increased employment opportunities, which is fundamental to economic growth.

National Housing Bank had estimated an investment of about 130 billion USD (or 8.5 trillion INR) for construction of affordable housing in slum and non-slum areas during the 12th Five Year Plan (2012–2017).[5, 6]

Units	Slum area (million units)	Non-slum area (million units)	Total units (million units)	Required investment (billion USD)
Need for fresh housing units	10.61	5.68	16.29	87.7
Incremental housing to address congestion	4.78	7.89	12.67	11.7
Provision of housing for new infrastructure units	10.61	5.68	16.29	18.5
Upgradation of Infrastructure in existing slums	10.58	0	10.58	10.8

Source: National Housing Bank

With the population estimated to be around 1.35 billion by 2022 and a decrease in average household size from 4.8 to 4.4, the housing shortage is estimated to be 110 million units by 2022, most of which would be in the affordable segment.

At a time when the central government is placing strong emphasis on the 'Housing for All by 2022' initiative, the strong demand pipeline is expected to drive the private sector's participation in the top seven cities.

The affordable housing sector has seen about 2x growth in new launches in the first half of 2016 (H1 2016), as against the same time last year (H1 2015). The total number of affordable housing units launched in H1 2016, in the top eight cites, was over 17,000 units.

PPP opportunity[7]

In its Union Budget 2015, the government has committed to provide 60 million houses. It has also committed to invest about 61 billion USD by 2019 to make affordable houses available.[8] However, the total estimated investment requirement would be about 1 trillion USD, 70%-80% of which would be in the affordable segment over the next five to seven years. To meet these funding needs, the government is also proactively working on attracting private sector investment in the development of the housing sector.

In an ideal PPP scenario, both private and public entities clearly bring in their contribution. For instance,

Private sector → Leverage core competencies such as project development, planning and Design, technology best practices, human resources, sales, marketing and project financing.

Public sector → Provide single-window and time-bound clearances, redrafting the local development bye-laws to suit the requirements of affordable housing projects and re-evaluating the taxes and levies from the perspective of reducing cost of home ownership for the target segment.

Key initiatives

- *National Urban Housing and Habitat Policy:*

  The policy focuses on problems of urban planning and financing. It aims to enable increase of fund flow from the government agencies and private sector for housing development and affordable housing.

- Pradhan Mantri Awas Yojana (PMAY) – 'Housing for All by 2022'

  Pradhan Mantri Awas Yojana (PMAY) was launched in June 2015 by the central government with an aim to provide affordable housing to urban poor.

  It aims to build 20 million houses in urban areas for the urban poor population by 2022. The central government is to provide financial assistance of about 30 billion USD over the next five to seven years in the form of capital and interest subsidy on housing loans up to 6,00,000 INR.

4 http://indiabudget.nic.in/budget2015-2016/ub2015-16/bs/bs.pdf
5 http://planningcommission.gov.in/aboutus/committee/wrkgrp12/hud/wg_Financing_rep.pdf
6 http://www.yesinstitute.in/Compendium/Working%20Paper%20-%20Raising%20Private%20Sector%20Capital%20for%20Affordable%20Housing.pdf
7 http://realty.economictimes.indiatimes.com/realty-check/affordable-housing-in-india-challenges-opportunities/976
8 Ministry of Urban Development, Ministry Housing and Urban Poverty Alleviation

Hurdles

Some of the major challenges market faces on supply and demand side are:

- *Complex and lengthy processes for pre-implementation stage*
  This shall include land conversions, building plan scrutiny and approvals, obtaining construction permits and other long list of NOCs from various agencies/departments. This can take about two years and vary significantly from state-to-state, impacting project cost and time, thereby making it unviable to provide housing at costs affordable to the urban poor.
- *Lack of adequate external infrastructure and connectivity*
  Some of the state governments have taken note of these issues and have proactively taken steps to simplify and streamline policies and processes—for instance, the land pooling scheme and re-densification scheme in Madhya Pradesh, GPS-based Physical Progress Monitoring System in Karnataka and so on.

What to look out for...

Acute shortage of housing, especially for the affordable segment (low-income groups and economically weaker sections), increasing urbanisation and economy—the market for affordable housing is immense and is estimated to be over 100 billion USD per annum (average) over the next five to seven years.

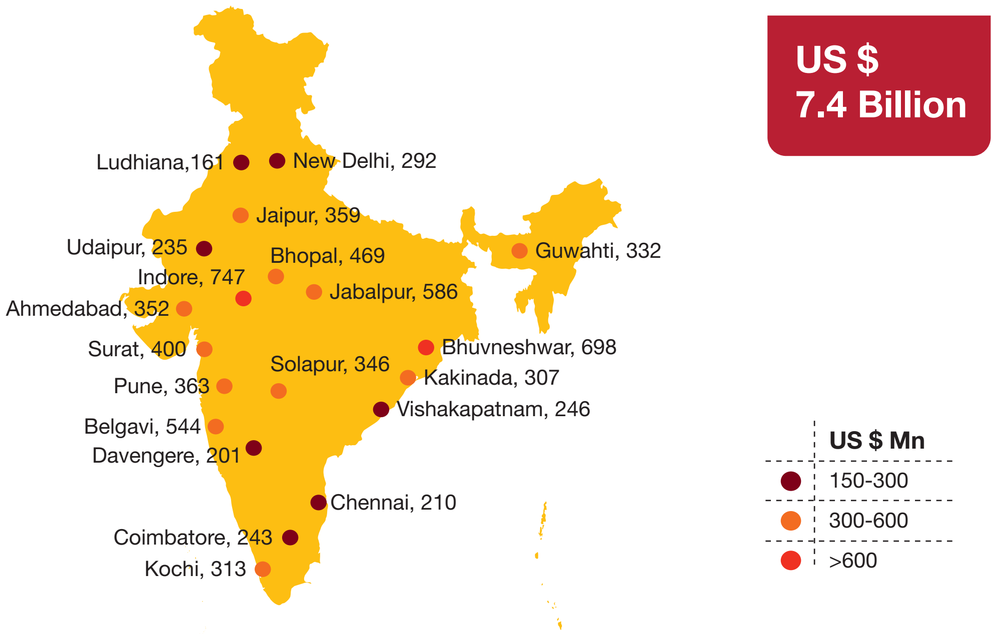
Simplification of policies and processes, innovation in technology and financing will go a long way in attracting private sector participation and meeting the housing demand and retaining its 'affordability'.

(B) Smart cities

Smart cities are a very recent trend, with the selection of smart cities still under way. There has been a strong drive to push forward the Prime Minister's ambitious target of smart cities. The Union Ministry of Urban Development (MoUD) is responsible for implementing the mission in collaboration with the state governments of the respective cities. The Government of India has a vision of developing 100 smart cities as satellite towns of larger cities and by modernising the existing mid-sized cities.

Selection of cities for funding under the Smart Cities Mission is being done through a competition. So far, smart city proposals of 60 cities have been approved and are in the initial stages of implementation.

20 cities selected in stage 2 for phase 1 have an investment outlay of about 7.4 billion USD, and 60 cities in total have an investment outlay of about 22 billion USD between FY 2016 and FY 2020.



Source: PwC analysis

An additional 37 cities are expected to be shortlisted in the next phases over next six to twelve months, which is further estimated to require an investment of about 8–10 billion USD.

Financing of Smart Cities Mission

The GOI funds and the matching contribution by the states/ULBs will meet only a part of the project cost. The balance funds are expected to be mobilised from:

- States/ULBs own resources from collection of user fees, beneficiary charges and impact fees, land monetisation, debt, loans, etc.
- Additional resources transferred due to acceptance of the recommendations of the Fourteenth Finance Commission (FFC)
- Innovative finance mechanisms such as municipal bonds with credit rating of ULBs, Pooled Finance Mechanism, Tax Increment Financing (TIF)
- Other central government schemes like Swachh Bharat Mission, AMRUT, National Heritage City Development and Augmentation Yojana (HRIDAY)
- Leverage borrowings from financial institutions, including bilateral and multilateral institutions, both domestic and external sources
- States/UTs may also access the National Investment and Infrastructure Fund (NIIF), which was announced by the Finance Minister in his 2015 Budget Speech

Hurdles

Securing capital from domestic private investors and foreigners remains one of the biggest hurdle to the Smart City Mission.

Special purpose vehicles (SPVs) are proposed to be formed for the implementation of the smart city proposal. However, the current guidelines do not enable or provide adequate safeguards for private sector participation at the SPV or sub-SPV level.

What to look out for...

Policy changes at central or state level to enable investments from various type of investor community at SPV and/or sub-SPV levels while providing safeguards.

(C) Infrastructure-linked real estate

Real estate development around infrastructure, mainly transport nodes like airports, railway stations, urban transport and ports, is seeing increasing interest in India for dense development driven by the following major aspects:

- Land value capture as a source of infrastructure financing
- Economies of scale
- Providing quality services and experience to passengers/commuters
- Minimising carbon footprints, especially in cities

The size of the investment opportunity is estimated to be about 20 billion USD over the next five years.

GMR Hyderabad International Airport

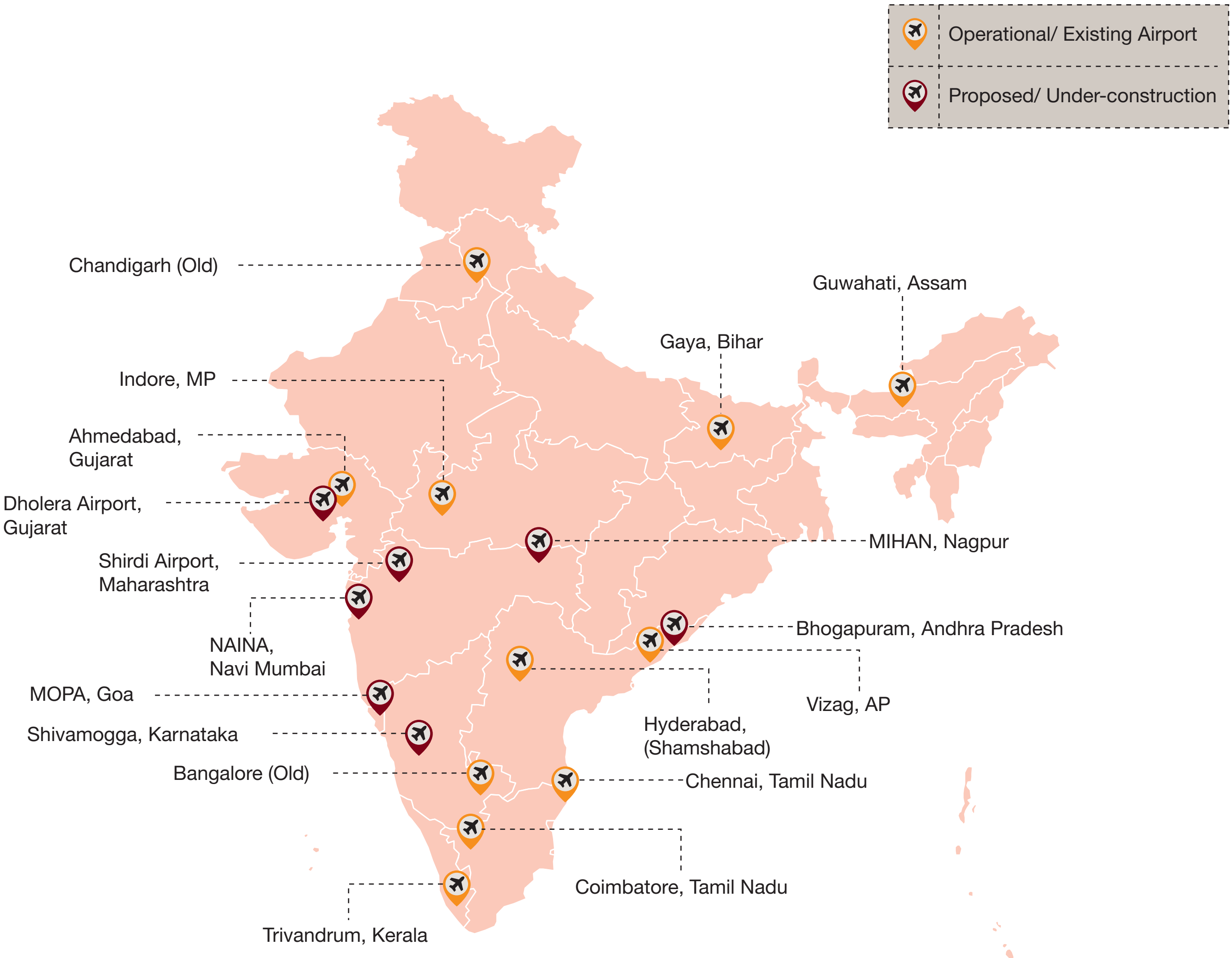
Devanahalli Business Park near Bengaluru International Airport

Airports

The Airports Authority of India (AAI), private airport operators and state governments are proposing to undertake large area development such as 'Aerotropolis' or 'Aero City' around both brownfield as well as greenfield airports.

AAI has recently appointed consultants to prepare a master plan for commercial development of land banks at eleven (11) airports across India.

Further, Aerotropolis have been proposed at greenfield developments such as MOPA Airport in Goa, MIHAN in Nagpur, NAINA in Navi Mumbai, Shirdi Airport in Maharashtra, Dholera Airport in Gujarat, Bhogapuram in Andhra Pradesh and Shivmogga in Karnataka.



Initiatives

State governments have appointed special planning authorities under respective state town planning acts for MOPA, NAINA as well as MIHAN.

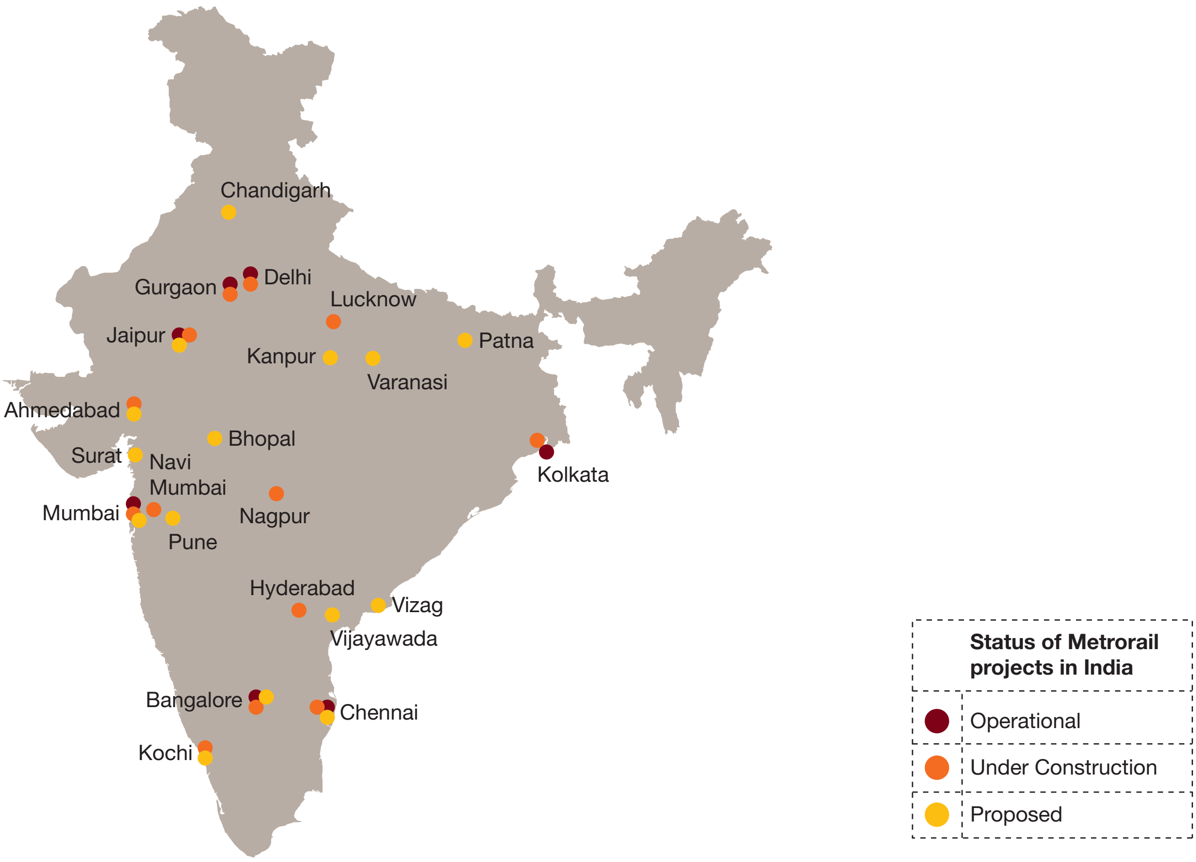
What to look out for...

Aerotropolis or city-side development is estimated to attract an investment of over 2.0 billion USD over the next five years in city-side real estate and related infra development. Additionally, proposed greenfield airports are expected to attract an investment of over 6.6 billion USD for airport terminal building and infrastructure development by 2020.

Railways and urban transport

Railways and metro rail transit systems in India are exploring land value capture as one of the key source of infrastructure financing.

A metro rail system is operational in 6 cities and at various stages of development in 21 cities. State governments and/or urban local bodies having a Metro Rail Transit System (MRTS) and/or Bus Rapid Transit System (BRTS) are moving towards transit-oriented city planning. This, supported by the policy changes in development and local building bye-laws, will enable strong growth in real estate development along MRTS and BRTS corridors.



Source: PwC analysis

Similarly, Indian Railways have proposed commercial development of 400 railways stations of A1 and A category through private sector participation, at an estimated investment of 16–20 billion USD over the next five to ten years.

In the past, bus transporters have undertaken commercial development of bus depots, bus stations and other land banks to generate non-ticketing revenue source. The BEST Undertaking, Mumbai's second largest public transporter, is considering transport-cum-real estate development on about 200 acres of land plots spread across the city over the next 10 years.[10] Similarly, other state transporters like MSRTC, BMTC, KSRTC, GSRTC and others across India are considering a similar approach to augment their revenues.

Initiatives

Delhi, Haryana, Karnataka and a other few states have created Transit Oriented Development (ToD) policies and regulations to support densification along project influence zones.

BEST Undertaking and the Indian Railway Station Development Corporation (IRSDC) have appointed consultants to prepare commercial strategies for land asset monetisation. The central, state and local governments are joining hands to modernise public transport facilities while monetising associated land assets, for instance, in Surat and Gandhinagar railways station redevelopment.

[10] http://www.bestundertaking.com/pdf/Tender_english_15_12_2015.pdf

Hurdles

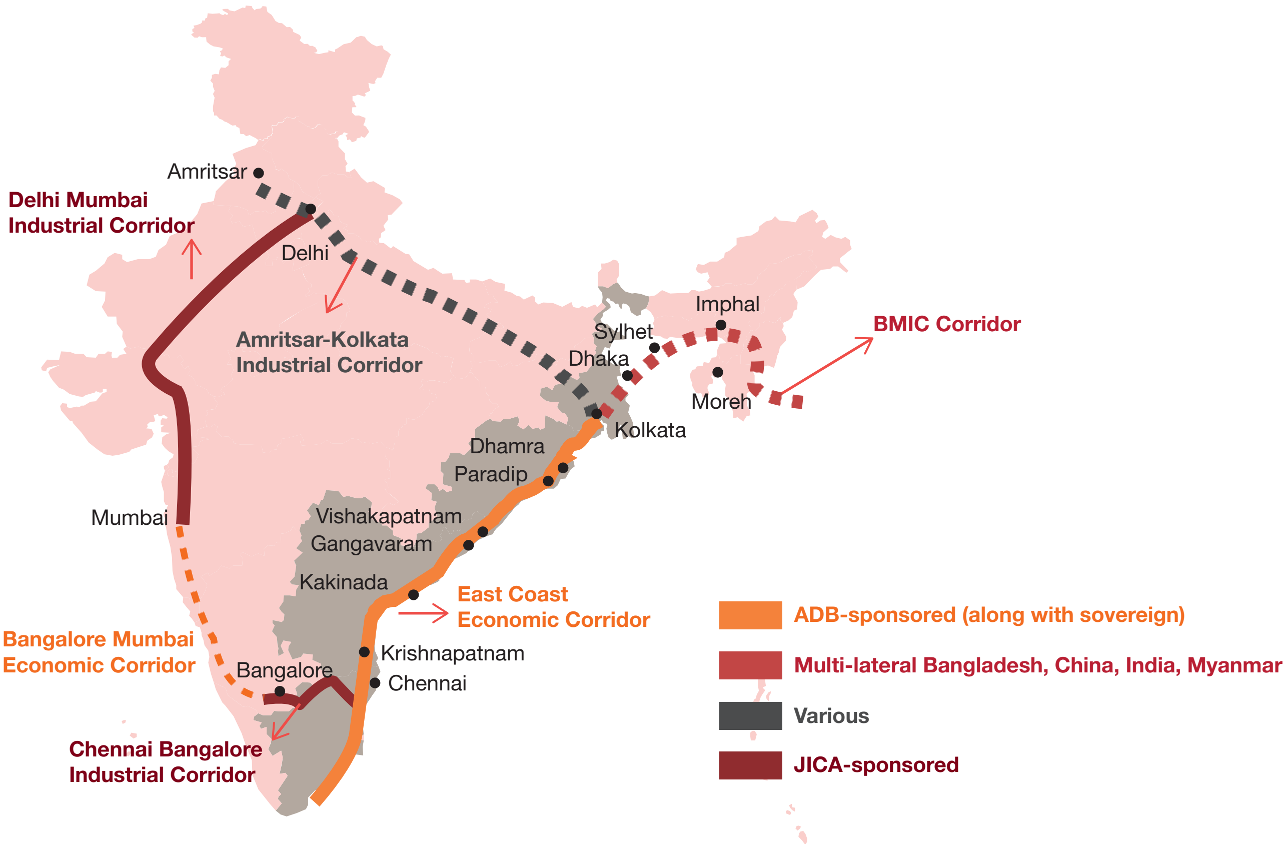
Private entities are risk averse with the current model of commercial development by railways. There is a need to evolve better risk-revenue commercial structures to facilitate private sector partnerships.

What to look out for...

Land monetisation by metro rail operators or authorities, railways and bus transporters is estimated to be an over 30 billion USD investment opportunity over the next five to ten years. The government needs to work out investor-friendly commercial structures while ensuring transparency and accountability in the transaction process.

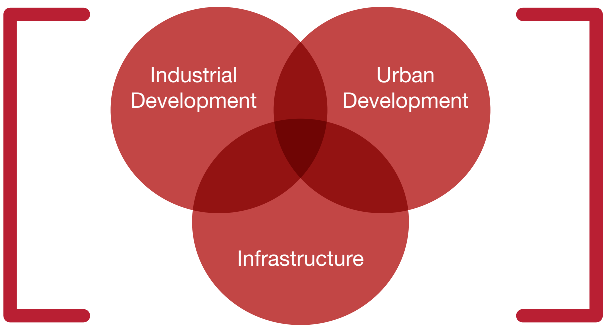
(D) Industrial corridors

The government is planning major industrial corridors across the country, such as the Delhi-Mumbai Industrial Corridor (DMIC), Vizag-Chennai Industrial Corridor (VCIC) and Chennai-Bangalore Industrial Corridor (CBIC).



Source: PwC research and analysis

Industrial corridor development envisages large-scale industrial development and urban development supported with infrastructure. VCIC has four nodes (Vizag, Kakinada, Gannavaram – Kankipadu and Yerpedu – Srikalahasti) and CBIC has three nodes (Krishnapatnam, Ponneri and Tumkur).



There are 24 industrial nodes proposed to be developed in the DMIC corridor, 12 of these shall be developed under Phase 1 and the remaining 12 in Phase 2.

Each of these industrial nodes is being planned in a holistic way and shall comprise industrial development, urban development and infrastructure development.

These industrial nodes will act as economic centres and generate employment opportunities. This shall lead to an increase in population as well as its concentration. For instance, as a part of VCIC, it is estimated that about 10 million incremental population will be added to the existing population owing to the direct and indirect job opportunities that will be created due to industrial growth. Such growth of population in certain nodes and regions would need housing and related commercial and institutional real estate assets and infrastructure.

Initiatives

The government earmarked 14,000 million INR for the DMIC project in the recent budget.

In a major impetus to the proposed VCIC, Asian Development Bank (ADB) has agreed to fund 21,000 million INR for the first phase of the project.

What to look out for...

In four nodes in VCIC itself, total investments are estimated to be about 2 billion USD over the next 5 years or 14 billion USD over 30 years for the creation of infrastructure to cater to industrial and supporting existing as well as incremental population.

Industrial corridors—DMIC, CBIC and VCIC—alone shall need an investment of over 100 billion USD towards the holistic development of industrial nodes, urban development, transport and logistics infrastructure.

Section 3: The 'bridge'

India will require an investment of around 1 trillion USD over the period of the next five to seven years to meet the infrastructure and housing demand. While around 70–80% of the demand will be from housing, the balance will be from smart cities, infra-linked real estate projects like airports, railways and urban transport, and development of industrial corridors like DMIC.

Sources of investment

Infrastructure projects, given their long life and long gestation periods, require long-term financing in the range of 10–30 years.

Financing of infrastructure projects by development phases

Globally, the major sources of long-term financing for infrastructure are insurance and pension funds and sovereign funds who seek long-term investments with low credit risk. However, in India, as insurance and pension funds account for only a small percentage of household financial savings, there is very high dependency on bank financing for infrastructure projects.

RISK: High – Low

	Initiation & Planning	Implementation	Closing
Sources	• Developer's equity • Private investors • Foreign portfolio investors • Commercial banks • Dedicated infra and other funds • NBFCs • IIFCL • Public utilities • Multilateral agencies	• Developer's equity • Private investors • Foreign portfolio investors • Commercial Banks • Dedicated infra and other funds • NBFCs • Capital market	• Commercial banks • Public utilities • Dedicated infra and other funds • Multilateral agencies • InvITs
Time frame	1 to 3 years	2 to 6 years	0 to 2 years
% of project cost	5-15%	75-85%	5-10%

Financing of real estate projects by development phases

A real estate project passes through several stages from its conceptualisation to handover. We have bifurcated the entire process into three broad stages: pre-construction, construction and operation.

Pre-construction: The initial phase of the project focuses on market analysis and feasibility studies, land acquisition, due diligence, surveys, research and regulatory approvals. Apart from being the most variable stage in terms of time and efforts, it also carries the highest risks.

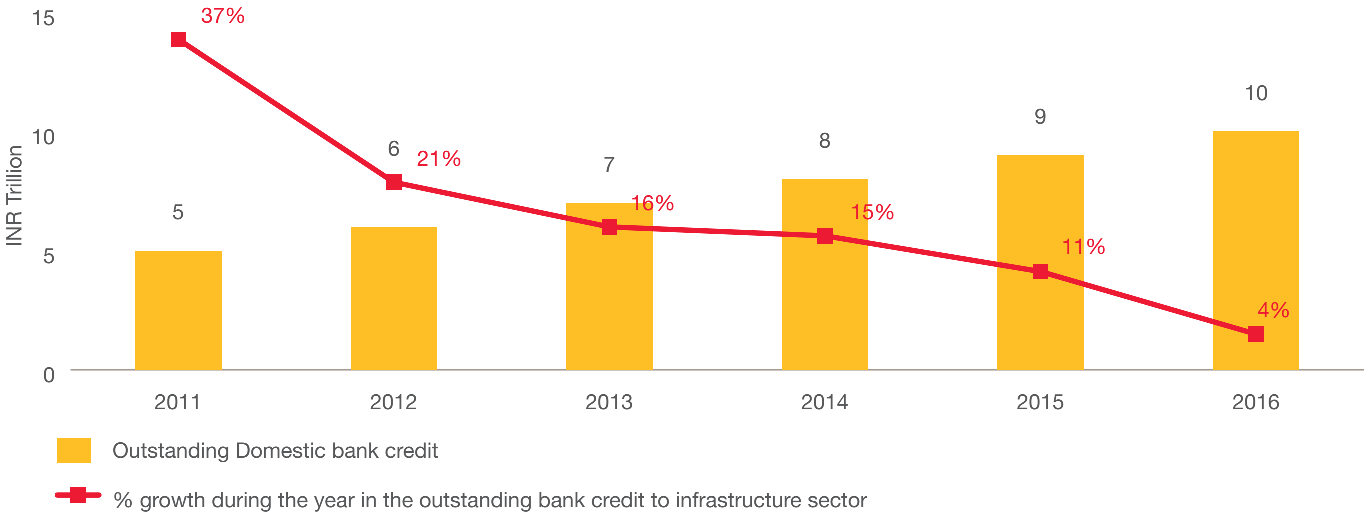
Construction: The construction phase of the project is considered to be very crucial due to the proneness of deviation from project timelines. A majority of the sale/lease agreements are finalised in this phase of the project, which makes it the maximum cash flow generating phase.

Operation: The final stage of the project, which entails possession of units to the residents and tenants, managing the inventory, managing the teething issues till completion of the handover of the operation and maintenance of property to the owners and/or property managers, becomes fairly straightforward in case of appropriate completion of the previous phases. Investments in the project at this phase are very limited and are considered to be low risk. In case of yield assets, this stage will also involve arranging for low-cost financing.

Stage	Pre-construction	Construction	Operational
Time frame	1–3 years	2–4 years	0–3 years
% of total cost	Tier 1 cities: 50–60% Tier 2 cities: 40–50% Tier 3 cities: 40–50%	Tier 1 cities: 30–40% Tier 2 cities: 35–45% Tier 3 cities: 35–45%	Tier 1 cities: 5–10% Tier 2 cities: 2–7% Tier 3 cities: 2–7%
Sources of funds	• Developer's equity • Private equity • Cash flow from customers	• Cash flows from customers • Commercial banks • Private equity and real estate funds • NBFCs • Bond markets	• Commercial banks • Long-term investment funds: sovereign, pensions, insurance, etc. • REITs

Banks

Outstanding Domestic Bank Credit in Infrastructure

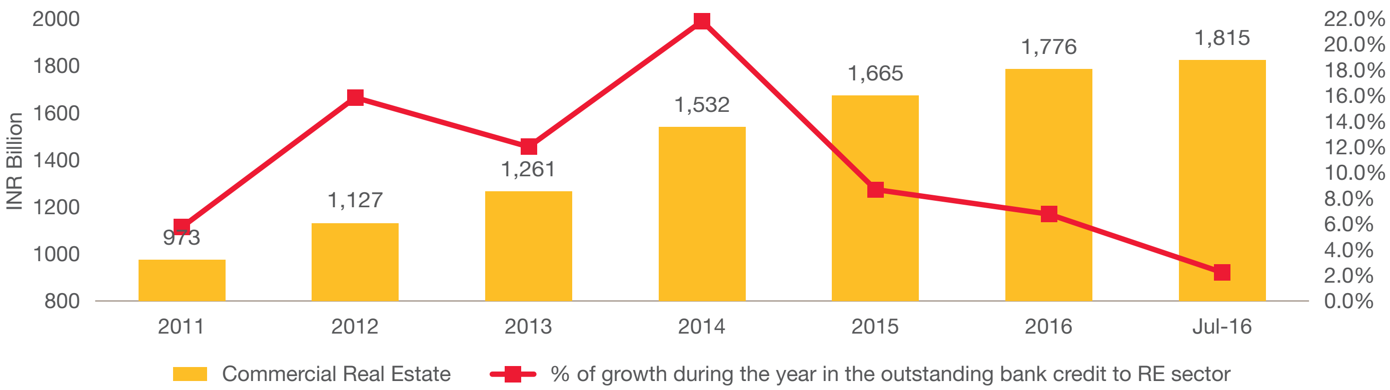


Source: RBI Handbook of Statistics

Historically, infrastructure projects have been financed by commercial banks in India, which have short maturity deposits and face asset liability mismatch challenges on financing infrastructure projects with long gestation periods. Typically, infrastructure projects have a useful life of 25–30 years, whereas repayments have been forced in the initial 15 years or so, leading to stress on cash flows during the initial stabilisation periods. There may be further constraints on such long-term financing by banks once the Basel III liquidity norms, which kick in from March 2019, are implemented.

The non-performing assets (NPAs) and restructured assets in this segment have also increased quite significantly in recent times. Gross NPAs and restructured standard advances for the infrastructure sector together as a percentage of total advances to the sector have increased from 4.7% at the end of March 2009 to 16.7% at the end of March 2016, which has significantly affected the balance sheet of the banks.

Limited growth in commercial real estate bank credit



Source: RBI Handbook of Statistics, 2015-16, PwC analysis

Bank credit acts as a supplementary source of financing for real estate developers, especially in a large-scale real estate project. Though in absolute terms bank credit to commercial real estate has grown y-o-y, as a percentage of total bank credit, the loans to commercial real estate have remained stagnant at only around 3% of total non-food credit.

Due to the extant norms relating to sector exposure and stricter control over the lending in real estate business, there has been limited growth in credit to real estate developers and very low level of delinquencies.

NBFCs

NBFCs will continue to play a complementary role to banks as providers of infrastructure finance. In addition, NBFCs have better flexibility in providing structured solutions and medium-term capital which can aid projects to meet its financial needs, especially last mile funding. Recent regulatory changes have allowed NBFCs to access foreign capital via external commercial borrowing and channel it to infrastructure projects.

There has been a significant increase in lending from NBFCs to the real estate sector in the last few years. There are number of domestic and foreign-owned NBFCs specialising in lending to the real estate sector. As compared to banks, funding from NBFCs has been expensive. However, due to limitations of lending by the banks, developers have benefitted from the participation of NBFCs, giving them flexibility to deploy the funds. Real estate has more than 1.1 trillion INR in funding from NBFCs. Where certain top tier developers enjoy funding cost for construction finance between 11–13%, other developers pay funding costs in the range of 16–20% currently.

Some of the key reasons for the growth in the popularity of NBFCs in infrastructure and real estate projects are:

- Fungibility – no restriction on end-use of the funds
- Shorter timelines – loan approvals are much quicker than commercial banks
- Flexibility – higher flexibility in structuring the debt and repayments
- Security – greater versatility in terms of security cover

Pensions/insurance/ sovereign funds

While life insurance and pension funds can provide long-term funds, in India, the pension system is still in its initial stages. Also, insurance companies are restricted by rating requirements and investment norms imposed by the Insurance Regulatory and Development Authority of India (IRDAI). Insurance companies are required to invest 50% of their 'controlled funds' in government securities. Of the balance, 75% is to be invested in AAA rated securities, which leaves limited capital for other investments. It is difficult for infrastructure projects to satisfy the rating requirements for insurance and pension fund investments. This is especially during the construction period, when projects face risks related to construction, land acquisition, financing and cost escalations, and enforcement of property rights. With these risks, projects at inception are typically not eligible for high credit ratings.

In recent years, there has been an increase in the level of interest of global sovereign wealth funds and pension funds in the Indian infrastructure and real estate space. These funds focus on stable and long-term projects with a low to moderate level of risk and are managed by companies with very strong governance and compliance standards.

ECBs

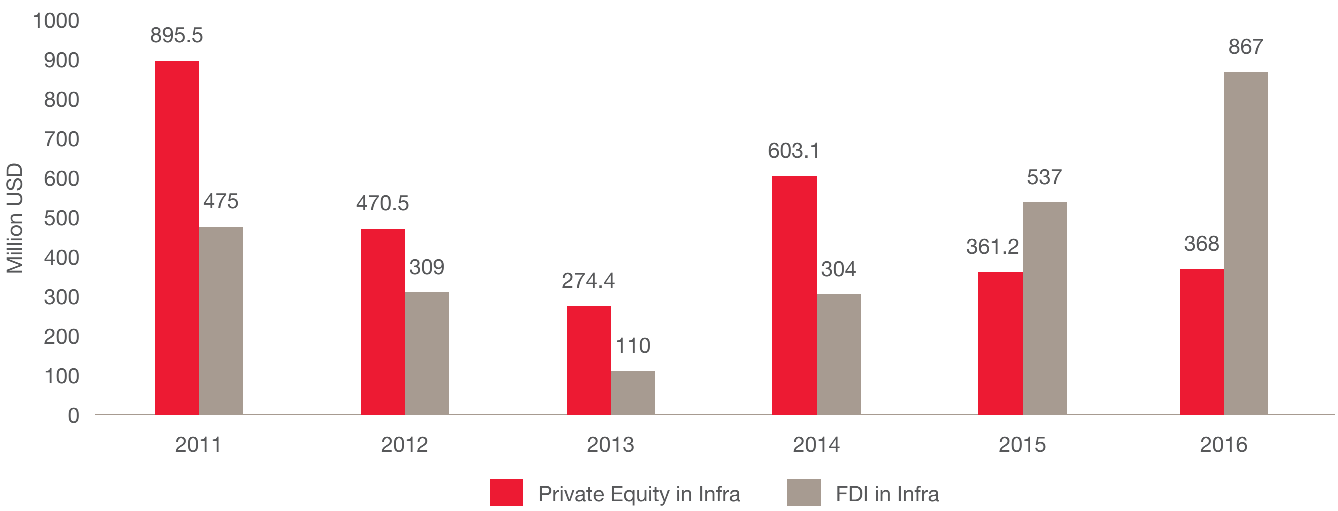
There have been a number of initiatives in the last few years to provide higher flexibility to raise ECBs, especially by infrastructure companies. The flexibility has been provided in qualified lenders, tenure and some relaxation in end use. However, due to the opening of new avenues of fund raising, the share of ECB in infrastructure financing is expected to decline over the next few years.

There are a number of restrictions on borrowings in the form of ECBs by a real estate company, leading to negligible usage of funds via this route.

Private equity

2016 has been a strong year for private equity investment in infrastructure. Specifically, ports and roads are expected to have a strong 2017 as well. Airports is another segment of the infrastructure space estimated to have a good private equity investment in the coming year. While public sector investments still lead the way in infrastructure spending as private sector companies grapple with huge debt, a number of reforms by the central government, such as pushing stranded projects, are helping companies raise funds more smoothly.

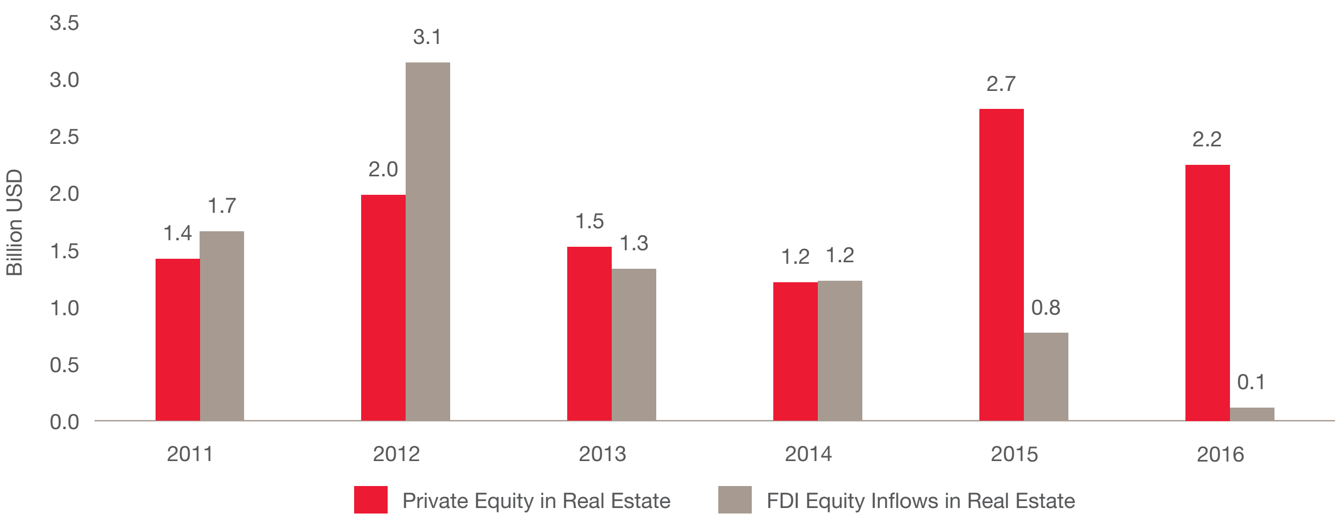
Private equity in infra



Source: Venture Intelligence, Department of Industrial Policy & Promotion, PwC analysis

Alternative funding routes such as private equity investment go a long way in reducing the dependency on public funding, which currently forms the majority of the investment made in the infrastructure sector.

Private equity in Real Estate



Source: VCC Edge, Department of Industrial Policy & Promotion, PwC analysis

Private equity as a source of funding has gained increasing success in the real estate sector over the years. The relative drop in FDI inflows in this space (covered in the subsequent section) would be expected to lead to a similar impact in private equity as well. On the contrary, private equity in real estate has been a tremendous success story. With greater transparency owing to government policies and initiatives transforming the sector to a dynamic and organised market, investor confidence has been boosted, leading to such results.

2/3rd Structured finance at SPV level deals

Structured finance serves as an advantage to both the investor as well as the developer, where pumping in funds in the form of debt and equity benefits the developer since it allows him the convenience of dealing with as few investors as possible and the investor has the comfort of having control over both the debt and equity and full security cover. This has been the primary reason behind this trend of decreasing FDI equity inflows in real estate and increasing private equity. The increasing popularity of structured finance has led to a decline in FDI equity inflows over the past few years and yet a significant increase in private equity funding. Despite the drop, FDI equity inflows of 24.19 billion USD (from April 2000 to March 2016) in real estate are the second highest ranked in the country.

Business trusts (REITs/InvITs)

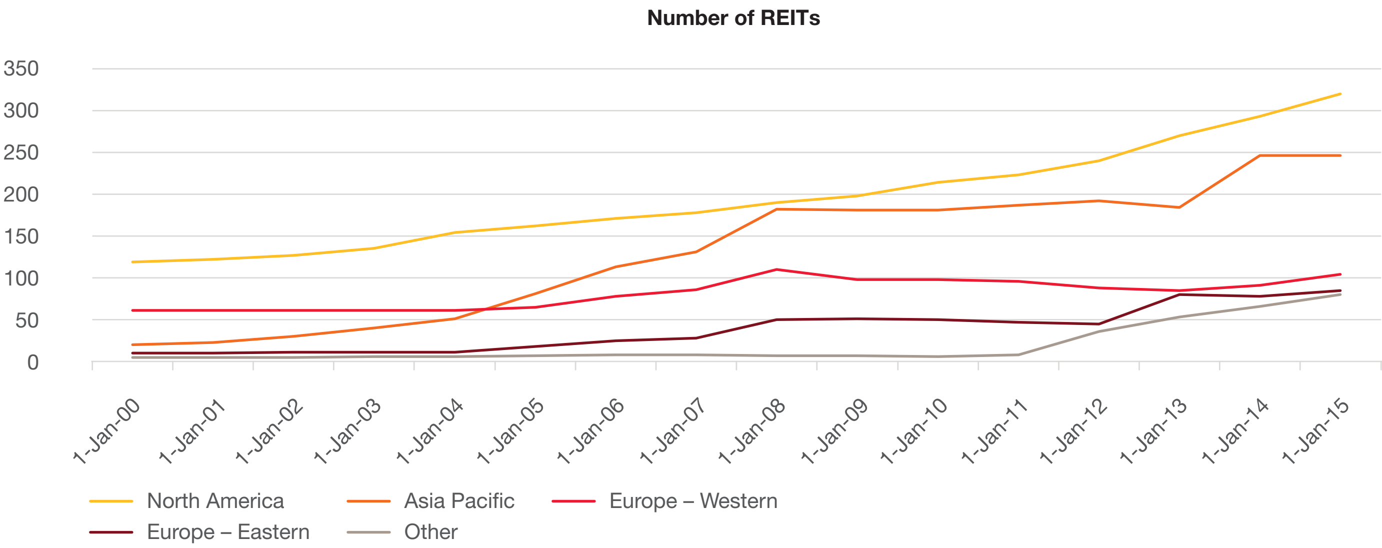
Keeping in mind the necessity for additional capital requirements in the sector, the Securities Exchange Board of India (SEBI) took an innovative step and introduced regulations in relation to business trusts, i.e. InvITs and real estate investment trusts (REITs) in 2014.

Given the capital-intensive nature of these sectors and the limited options available to infrastructure and real estate developers for raising funds, business trusts offer a way forward.

In general terms, a business trust is an investment vehicle that owns and operates real estate and infrastructure assets, and allows individual investors to earn income produced through ownership of commercial real estate without actually having to buy any assets. Typically, the income-producing real estate and infrastructure assets owned by a business trust include office buildings, shopping malls, apartments, warehouses and mortgaged property.

REIT markets globally

The REIT regime has been in existence in developed economies for the past several years. REITs were first introduced in the US in the early 1960s and have since then been adopted as a preferred investment mode across the world, especially in countries like the US, Japan, Australia, the UK, Singapore and Malaysia. Over the years, they have constructively changed the way in which the real estate market operates, benefitting investors as well as real estate developers.



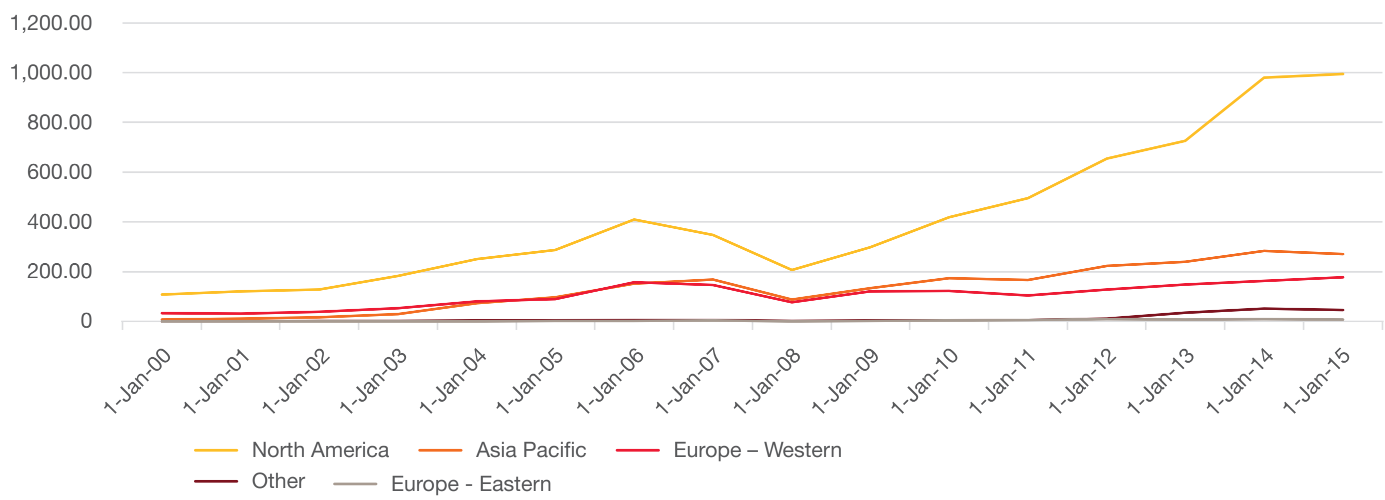
Source: Bloomberg and APREA

While there are many similarities in the basic structure of this investment vehicle—for instance, with respect to the distribution policy on returns—its growth varies across these countries. The US and Australia, which were the first two to introduce REITs, have witnessed high growth in their REIT markets, possibly due to the tax reforms they introduced.

Market capitalisation in some countries, including Malaysia, where the REIT market (Property Trust Funds in 1989) started late, is relatively untapped, compared to other countries such as Singapore. While the market is nascent and still evolving in India, key guidelines—for instance, with respect to distribution of income—are the same as in other jurisdictions.

As at the end of 2015, there have been over 800 REITs across various countries, with total market capitalisation of more than 1,490 billion USD. Countries such as the US, Australia, France, Japan and the UK were the top five markets for REITs in the world.[10]

REIT market cap (billion USD)



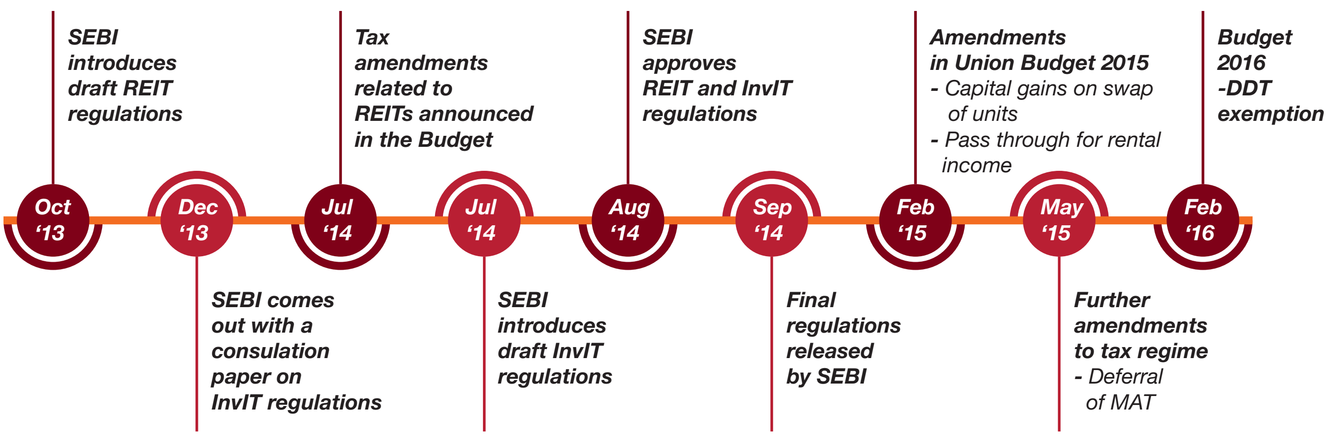
Source: Bloomberg and APREA

Taking a cue from these economies, the Indian Business Trust Regulations has tried to adopt the internationally followed concepts, methods and principles:

- Providing an organised market for retail investors;
- Providing a professionally managed platform for investors, which is risk averse and aims at protecting interests of the public; and
- Providing an exit platform to ease out the liquidity burden from the sector.

Introduction to business trusts in India

REITS/InvITs Timeline



[10] APREA. (2012, November). The investment characteristics and benefits of Asian REITs for retail investors. Retrieved from http://www.propertyoz.com.au/library/APREA_The-Investment-Characteristics-and-Benefits-of-Asian-REITs-for-Retail-Investors-report.pdf?

SEBI first introduced the draft REIT Regulations in 2007 for public comments. After extensive interactions by SEBI with various industry participants, it released the draft REIT Regulations in 2013. After further modifications, REIT Regulations were finally enacted on 26 September 2014 by SEBI (Real Estate Investment Trust) Regulations, 2014. Similarly, InvITs were introduced by the SEBI (Infrastructure Investment Trust) Regulations, 2014.

Initially, the Business Trust Regulations mandated holdings in SPVs/LLPs which hold not less than 80% of assets directly in properties and which do not invest in other SPVs (multi-layer structures). This was another big impediment, as in these sectors it is a general norm to hold assets through multi-level SPVs, either to capture the value of a particular asset class in a single holding company, or to retain flexibility to allow a financial investor to invest in a bunch of assets, or due to the fact that separate SPVs are required under the concession agreements or power purchase agreements. Due to the restriction in the Business Trust Regulations, consolidation of all the assets under one SPV would require significant restructuring exercise. If not, then it would create a lot of tax inefficiencies for the current sponsor.

SEBI has, in its recent board meeting,[11] amended the Business Trust Regulations by allowing a business trust to invest in two-level SPV structures through a holding company, subject to sufficient shareholding in the holding company and underlying SPV and subject to certain other conditions.

Given that the government has now provided the much required impetus to business trusts in the form of policy changes and certain required tax concessions, business trusts should pick up. However, the boost to the business trusts would also depend upon the yield it brings on the table for the investors, which requires developers to select and carefully monitor the assets to be considered for business trusts.

Cash flows from customers

Contrary to the case in most sectors, including infrastructure, where the project only starts generating cash flows post operationalisation or very close to operationalisation, residential as well as commercial real estate projects start generating cash flows relatively sooner in the project life cycle, sometimes as early as the excavation stage. Developers receive advances as a certain percentage of the sale price from the customers in the form of booking fee as soon as the project is launched (sometimes even sooner with a soft launch or a pre-launch). Subsequently, the customers keep paying advances in tranches to the developer on every pre-defined construction stage completion. Buyers are incentivised into booking a unit in the project at the earliest possible stage of the project by offering an attractive sale price. Similarly, in the case of commercial real estate projects, customers pay booking fees as advances in order get an attractive sale/lease price.

These cash flows received as advances from the customers act as a crucial source of funding for the developer, especially since it is non-dilutive and non-interest bearing. Though these advances were against the inventory of units sold/leased, these funds were used by developers across multiple other projects which would be restricted to a great extent post implementation of Real Estate (Regulation and Development) Act, 2016.

Issues and challenges in infrastructure:

1. Asset–liability mismatch

Banks face this issue on account of the long-term nature of infrastructure loans as compared to the relatively short-term nature of their deposits. This makes it difficult for developers to obtain long-term loans from banks.

2. Under-developed financial markets

The absence of well-established financial markets for long-term infrastructure financing has further burdened banks to fill the void. With banks having almost reached their maximum sector exposure, it is imperative to develop the financial market in India.

3. Savings not channelised

India's saving rate is as high as 37%; almost one-third of the savings are in physical assets. Also, financial savings are not properly channelised towards infrastructure due to lack of long-term savings in the form of pension and insurance.

4. Institutional and regulatory constraints

There are several restrictions on the exposure of pension funds, insurance funds and PF funds for investing in the infrastructure sector in the form of debt or equity. Their traditional preference is to invest in the public sector (government securities). Also, stringent prudential limits on bank lending to NBFCs has capped their access to the funds of commercial banks.

5. Macro-economic constraints

Due to uncertainties in the global economy, equity markets are not the most favoured option for financing projects. Also, the present regulatory requirements limit exit options, which hinder equity infusion. Most infrastructure companies have already diluted their equity in public to raise capital and further dilution is not possible due to contractual restrictions imposed on them.

[11] PR No. 139/2016 dated September 23, 2016

Issues and challenges in real estate

1. Funding for pre-construction

Requirement of funds for the pre-construction phase, which includes land acquisition and multiple approval/clearance costs, is a major component (as much as 50–60%) of the cost incurred towards the project, especially in metros, due to high land acquisition cost. RBI regulations restrict banks from financing land acquisition and since the sources of funds at the conceptualisation phase are minimal, developers are more often than not limited to the extent of their own funds for pre-construction financing. In order to elevate this sector to the next level of growth, the government needs to take initiatives to make it simpler and cheaper for developers to arrange funds for the initiation of projects.

2. Paucity of long-term funds

Due to the probability of delay in real estate projects, several funding options are not available to the developer prior to the grant of a majority of approvals, by which point of time a significant portion of the project cost is already incurred, including but not limited to land cost. Hence, apart from the timing mismatch between tenure of the loan at the beginning of the life cycle of the project, developers also face the brunt of repaying loans before the project cash flows hit the peak, putting cash strain on the developer.

3. Financial discipline

The lack of financial discipline has been damaging the sector's options for financing since a long time now. Commercial banks' credit exposure to the sector has been constant at 3% since several years due to the high riskiness banks associate with the financial indiscipline in the sector.

Developers tend to utilise funds like advances received from customers in land acquisition of a different project, thus hampering and delaying the construction of the project the funds are received for. Not just customers awaiting handover but financial institutions as well have borne the brunt of this indiscipline over the years.

Real Estate (Regulation and Development) Act, 2016 (RERA), intends to resolve this challenge. One of the salient features of the act is that it restricts developers from using over 30% of the advances received from customers on construction and land cost of a project other than the one it has been received for.

Section 4: The 'other' factor – tax

This section discusses the recent developments in the real estate and infrastructure sector from an Indian tax perspective and in the following areas:

- Goods and Services Tax (GST);
- Affordable housing; and
- REITs and InvITs.

GST

The real estate and infrastructure industry has been embroiled in disputes due to ambiguity in provisions as well as multiple taxation. GST is expected to simplify the indirect tax regime as it would subsume most of the indirect tax laws (except stamp duty) and hence is touted as a major tax reform. Obtaining Presidential assent within a week of ratification of the Constitution Amendment Bill by 50% of the states augurs well for timely implementation of GST with effect from 1 April 2017.

We have discussed below the key aspects of the Model GST Law relevant to the real estate and infrastructure sector.

Removal of ambiguity on works contract

Currently, both VAT and service tax are applicable on construction as well as sale of under-construction property and similarly for onshore civil contracts for the infrastructure sector (referred to as 'works contracts'). This has not only resulted in a higher tax burden but also in numerous litigations for real estate and infrastructure developers.

The Model GST Law specifies that works contracts would be taxed as a service and hence the dispute of applicability of VAT or service tax should come to an end. However, it may still not be sufficient to eradicate ambiguity and disputes completely, particularly in the context of the peculiar and varied nature of arrangements in the infrastructure sector, which involve multiple scopes of work and multiple participants (consortium) for either a full project or for parts of a single project.

Probable increase in cost for real estate and infrastructure projects?

Presently, real estate and infrastructure projects enjoy certain concessions/abatements/duty benefits under various indirect tax laws. This leads to a limited indirect tax cost impact on these projects.

The Model GST Law is silent on any such concessions/ abatements/duty benefits. Further, specific restrictions are proposed in credit rules with regard to goods and services acquired for the purpose of construction of immovable property. This may lead to a significant increase in the tax burden on real estate and infrastructure projects and, in turn, on the end consumer.

Aspects requiring additional considerations

Though the Model GST Law has sought to resolve a major issue with respect to clarification of works contracts as a service, there are a few points which needs more clarifications/relaxations:

- Taxability of TDR: Presently, ambiguity remains whether TDR is liable to service tax, and at what value. The Model GST Law defines 'supply' in very wide terms, which also includes barter/exchange of goods or services. Hence, ambiguity on taxability of TDR may continue under GST.
- Credit of goods: Under GST, since all supplies would be liable to GST, there needs to be a provision to allow a service provider to avail of credit of the inputs held on the date of enactment of GST. There should be a mechanism to make this possible.
- Valuation of services in case of related persons: In case of infrastructure projects, Indian entities do procure a significant amount of services (especially pertaining to technical know-how, designs) from their parent companies. Under the GST Model Law, the concept of valuation for services in related party transactions has been introduced. Therefore, for any services provided between group companies, such as royalty for access to a global brand, group-company cost allocations, etc., it needs to be demonstrated that the transaction is at arm's length.

Affordable housing

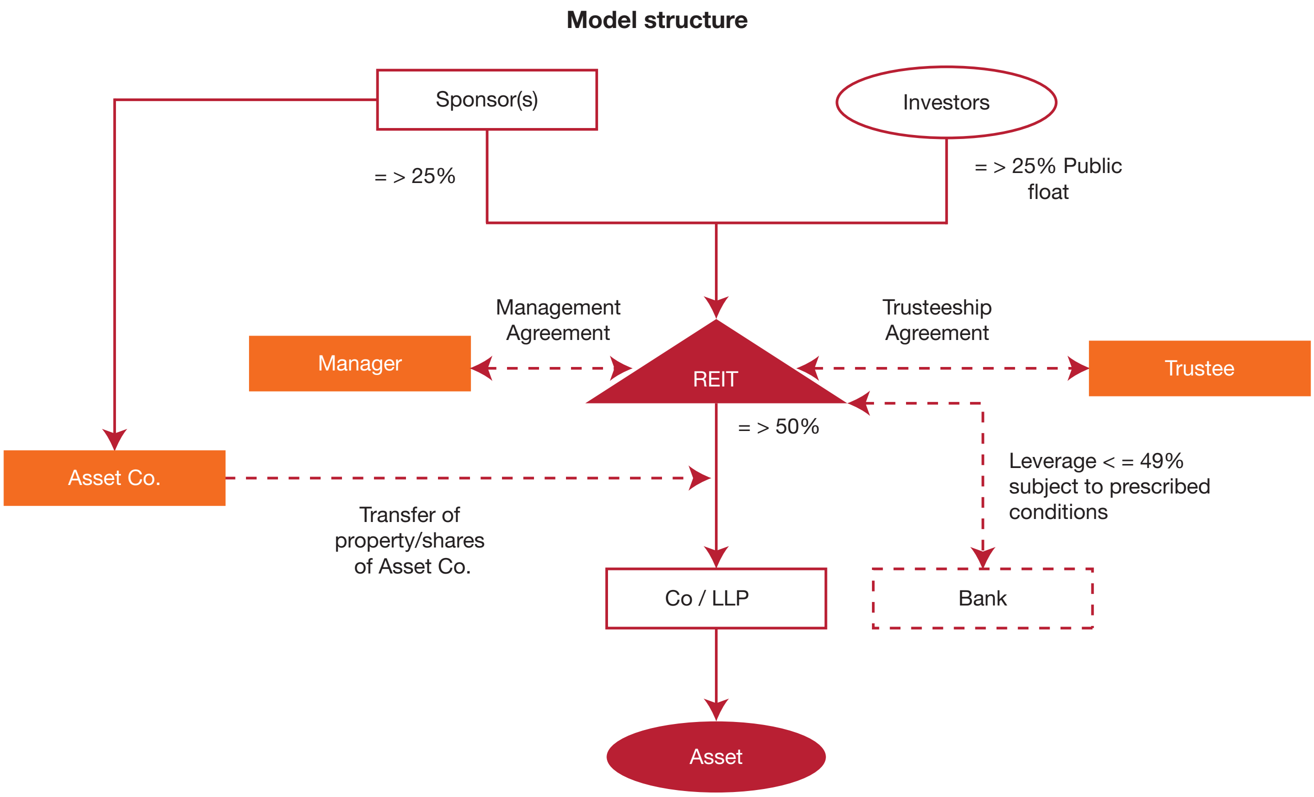
Budget 2016 introduced a tax holiday of 100% of the profits arising out of developing and building affordable housing projects. The following key conditions, inter alia, are required to be fulfilled for a project to qualify as an 'affordable housing project':

- project approval by the competent authority after 1 June 2016 but before 31 March 2019;
- project completion within three years from approval date;
- allotment of only one unit per individual, no other allotment to spouse or minor children of such individual;
- built-up area of shops and other commercial establishments in the housing project not to exceed 3% of the aggregate built-up area;
- residential units comprised in the project do not exceed 30 square metres where the project is located within the metropolitan cities or within the area of 25 square kilometers of these cities or 60 square metres where such project is located within the jurisdiction of any other municipality or cantonment;
- deduction not available for projects executed on a works contract basis

The time limit of three years from the date of approval, provided to the developer for availing of the deduction, should be an incentive for the developer to complete the project on time, as well as provide the home buyer with reasonable certainty of project completion.

REITs and InvITs

Model REIT structure in India



Taxation of business trusts in India

The Indian government is keen to step up the investment scenario in the business trust space. The Finance Act, 2014, and the Finance Act, 2015, brought in substantial tax reforms to make business trusts more attractive to investors. Despite this, business trusts were still not able to find ground in India, as a major issue still outstanding on the tax front was that any distribution by the SPV to the business trust in the form of dividend attracted dividend distribution tax (DDT).

The Finance Act, 2016, has exempted from DDT dividend payments by SPVs to business trusts, where the business trusts hold the entire nominal value of the equity share capital. This, in effect, should make the entire structure for business trusts effective and, hopefully, we should see a good amount of momentum in this space.

A brief snapshot of the tax implications on business trusts is presented below.

Level	Transaction	Taxation[12]
Sponsor	Swapping of the shares of an SPV (a company) with units of a business trust	- No tax implications at the time of the swap - Deferral from minimum alternate tax (MAT)^ at the time of the swap
	Swapping of assets (other than shares in an SPV) with the units of business trusts	- Taxable at the time of the swap - Long-term capital gains at the rate of 20% - Short-term capital gains at the rate of 30%
	On sale of units of business trusts on the stock exchange*[13]	- Long-term capital gains exempt**[14] - Short-term capital gains at concessional tax rate of 15%**[15] - MAT^ to be levied at the time of actual sale
REIT	Interest income	Not taxable However, REIT to undertake tax withholding: - Foreign investors: 5% - Domestic investors: 10%
	Dividend	Not taxable
	Rental income from property held directly by a REIT	Not taxable Withholding requirement: - Foreign investors taxed at rates in force - Domestic investors taxed at 10%
	Capital gains on sale of assets/shares of SPV	Taxable at the business trust level at applicable rates, depending on the period of holding
SPV	Dividend distributed	Exempt from payment of dividend distribution tax, subject to certain conditions
	Rental income from SPV	Taxable at applicable rates
	Interest paid to business trusts	- Deduction on interest available - No withholding requirement
	Capital gains on sale of assets	Taxable at applicable rates, depending on period of holding
Unit holders	Interest income	- Foreign investors: 5% (withheld at REIT level) - Domestic investors: at applicable rates (credit for tax withheld @ 10%)
	Dividend	Not taxable
	Capital gains on sale of assets/shares of SPV	Not taxable
	Rental income from property held directly by REIT	Taxable at applicable rates#[16]
	On sale of units of business trusts on the stock exchange*	- Exempt from long-term capital gains tax**[17] - Short-term capital gains at concessional tax rate of 15%**[18] - MAT^[19] to be levied

12 The tax rates mentioned are only base rates. Applicable surcharge and cess would need to be added separately.
13 * The date of purchase and the cost of the shares of an SPV will be considered to compute capital gains in the hands of a sponsor at the time of transfer of units.
14 ** The rates above are subject to payment of securities transaction tax (STT).
15 ** The rates above are subject to payment of STT.
16 # Based on the current tax regime, investors are taxable on distribution of rental income by a REIT letting out property directly. The quantum and manner of taxation of such income in the hands of investors are unclear and need to be clarified.
17 * The rates above are subject to payment of STT.
18 ** The rates above are subject to payment of STT.
19 ^ MAT will be chargeable at the rate of 18.5% (plus applicable surcharge and cess).

Section 5: A new beginning?

The two most important pillars of the Indian economy are very delicately poised. Real estate is ahead on the curve, emerging stronger and more mature from the economic downturn. Infrastructure, on the other hand, has just started slowly getting back on its feet. Both sectors will require the right focus from all stakeholders to ensure that the potential is fully explored.

Recent initiatives such as affordable housing, smart cities, infrastructure-linked real estate development, industrial corridors, changes in the InvIT/REIT regulations and GST reforms will provide the right impetus in developing quality infrastructure for the next leap of growth for the economy. Implementation of RERA will increase transparency and governance in the real estate sector and can be a game changer.

The funding gap will continue to be a primary challenge and new avenues of funding will be required. A multi-pronged approach would be required in order to mobilise private funding, both global and domestic capital, for holistic development. New avenues like credit enhancement schemes for key projects and development of strong bond markets will be important steps for generating alternative capital.

Regulatory policies will have to be drafted, reviewed and amended on a more real-time basis due to the dynamic business environment. Tax policies will have to be more consistent and stable over the medium to long term. Overall, tax and regulatory policies will need to be more internationally aligned to ensure best practices are adopted.

Building the right model for financing and executing the infrastructure build-up will be very important steps. Both the government and private sector have to play their part well to make these efforts successful. Lack of clarity on policies, delay in approvals, inconsistent local development regulations and improvements in the environment to attract foreign capital are some of the key issues which should be immediately addressed by the government. Building a strong governance framework, financial discipline, a customer-centric approach, adoption of technology best practices, augmenting the human resource pool for project development and segregation of business roles (developers vis-à-vis EPC) are some of the deliverables of the private sector.

It appears that we are looking at a 'new beginning'.

About NAREDCO

National Real Estate Development Council (NAREDCO), under the aegis of **Ministry of Housing and Urban Poverty Alleviation, Govt. of India** is an apex body representing all spheres of stakeholders engaged in various aspects of real estate development. We are here with an aim to improve the confidence level of lenders, investors and consumers by bringing in professional and ethical practices. **Shri M. Venkaiah Naidu**, Hon'ble Minister of Housing and Urban Poverty Alleviation (HUPA), Govt. of India is NAREDCO's Chief Patron and six Government officials (Joint Secretary Level), nominated by the Hon'ble Minister, in the Governing Council of NAREDCO. Institutions like **Housing and Urban Development Corporation (HUDCO), National Housing Bank (NHB), Delhi Development Authority (DDA), LIC Housing Finance Ltd. And PNB Housing Finance Ltd**. Are members of NAREDCO, right from the beginning, besides leading private developers, private housing finance companies and brokerage firms. NAREDCO is also in the process of opening its State branches in different State capitals.

As an apex body of the real estate industry, we have been putting in our suggestions, pertaining to housing and real estate sector, for consideration and incorporation in the successive finance bills. Objectives of NAREDCO inter alia include promotion of housing and real estate sector in India and inculcate transparency and accountability for the benefit of the customers. NAREDCO and its state chapters work in close cooperation with the Central and State Govts. to achieve above objectives.

NAREDCO has a Governing Council, responsible for policy formulation and general administration and an Advisory Council of heavy weights for policy advocacy. This includes Secretary of Housing and Urban Poverty Alleviation, Govt of India, Shri Rana Kapoor (YES BANK), Ms. Sunita Sharma (LIC Housing Finance Ltd.), Ms Renu Sud Karnad (HDFC), Shri Niranjan Hiranandani (Hiranandani Constructions Pvt Ltd.), Shri Brotin Banerjee (Tata Housing Development Co. Ltd), Shri V P Baligar (HUDCO), Shri Rohtas Goel (Omaxe Group), Dr. P S Rana (Former CMD, HUDCO), and a few more. With your help and support, we are sure we can change these obstacles into opportunities for a more fruitful future ahead and for a better living for all of course.

NAREDCO through regular meetings, seminars, training programs, trade missions and conferences provides a platform for members to interact with various government bodies, institutions and other members. Join us and be a part of the organisation that is helping shape the future of the real estate industry.

About APREA

APREA is a non-profit organisation that represents the property investment industry in AsiaPac.

Its members include prominent real estate stakeholders, including pension, insurance and sovereign wealth funds, investment managers, family offices and developers.

APREA's focus is cross-border real estate investment – inbound and outbound – across AsiaPac.

APREA's main goals are to:

- make it easier to invest across AsiaPac by working with governments to open up, expand and improve the region's real estate markets
- help members connect to cross-border opportunities and business partners
- forge a more informed, efficient, respected and transparent marketplace

APREA's members operate across 18 countries and more than 100 property markets.

APREA currently hosts chapters in China, India, Japan, Australia, Malaysia, the Philippines, Singapore and Hong Kong.

For further information, visit http://www.aprea.asia/

About PwC

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IMS/SUS/October2016-7705