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Real Estate Rating & Research Pvt. Ltd.

GOODS & SERVICES TAX - HISTORY IN THE MAKING

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PREVIEW

Real Estate Industry today stands on the cusp of a major transformation on the back of increased regulation. First RERA and now upcoming GST will have a far reaching impact on the entire landscape of the sector in the coming years

The GST will subsume multiple taxes like central excise, service tax, VAT and other local levies to create a uniform market. This will ease the process of taxation considerably, making its enforcement and administration easier and simpler. All under construction properties, intended for sale to a buyer are subject to 12% tax with full input tax credit (ITC), subject to no refund in case of overflow of ITC. All ready buildings with OC remains outside the preview of GST

The real impact of GST on real estate prices difficult to gauge as it will depend upon the developers capacity to pass on the benefit of ITC availed to the buyers. Government on their part, has issued a notification, stating that the builders are expected to pass on the benefit of lower tax burden under the GST to buyers of property by way of reduced prices/ instalments. But this is easier said than done.

Some grey areas still exists which potentially could undermine the GST impact. It is still not clear what would be the abatement available for the land cost component. Unless abatement for land is allowed, cost to the end consumer would go up. Beside GST, buyers will still have to bear other expenses like stamp duty which ranges from 5-8% of the value of unit purchased. Hence, the basic principal of subsuming all multiple taxes under GST goes for a toss. Ideally, Stamp duty should also have been brought under GST. Also, ITC implications for half constructed and half sold projects are also not yet clear. We urge the government to address the said issues on an urgent basis.

Then, there has been a major breakthrough on policy front including DDA notifying 95 villages as ‘Urban Areas’, Circle rates cut in Gurgaon for the second year in succession, housing approvals to come within 60 days in Delhi & Mumbai and Versova-Bandra sea link getting nodes from the government. All aforesaid developments have the potential to be a key growth catalysts for real estate in months to come. However, focus should be on fast on-ground implementation to realise the potential at the earliest

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NEWS OF THE MONTH

GST: A History in the making

Come July and India would have its biggest tax reform in place. Goods and Services Tax (GST). The GST bill was formally approved in the Lok Sabha on March 29, 2017 with four supplementary legislations. The GST will subsume central excise, service tax, VAT and other local levies to create a uniform market and eliminate multiple levels of taxations. GST is expected to boost GDP growth by about 2 per cent and check tax evasion. States will have to pass their State GST or SGST law that will allow them to levy sales tax after levies like VAT are subsumed. The GST Council has recommended a 4-tier tax structure – 5, 12, 18 and 28%.

Real Estate specifically, is in the cusp of increased regulations, with bills such as the Real Estate (Regulation and Development) Bill implemented recently and now GST will pay the way for more transparency, abolishing multiple taxation system, and making the system more systematic and streamlined.

Under GST, The construction of a complex building, civil structure, or a part thereof, intended for sale to a buyer, wholly or partly, is subject to 12% tax with full input tax credit (ITC), subject to no refund in case of overflow of ITC. In other words, residential construction services, will invite GST at the rate of 12% (exclusive of stamp duty), which will apply to developers selling residential units before completion of construction to the home buyers. Hence, GST will not be charged on completed apartments

To understand in detail how GST is different than the earlier multiple taxation system, it can be seen that earlier there were three major taxes which were being levied like service tax, VAT and excise duty. Now GST is a single consolidated tax, replacing all the said taxes. Earlier there was only a partial credit allowed for service tax component, but in GST, input credit shall be allowed to the contractor as well as the developer. Earlier the price being charged by the buyer was a consolidated figure inclusive of all taxes, but now the buyer would know the break-up of the total price figure which shall be the cost plus GST. This is how more transparency shall be brought in as the buyer shall now be aware of the actual cost and how much tax or GST is being levied upon that cost.

Real Estate: GST Vs. Existing Regime

Particulars	Present Tax Regime	GST Regime
Broad scheme	There are separate laws for separate levy. E.g. Central Excise Act, 1944, respective State VAT laws.	There will be only one such law because GST shall subsume various taxes as specified above.
Cascading effect	This Problem arises because credit of CST and many other taxes not allowed.	This situation will not arise as CST concept is being eliminated with introduction of IGST.
Present Tax Rates	Varies between 4.5-9% across states, depending upon the applicability	There will be one uniform rate of 12% across states but with ITC facility
Input Tax Credit for Real Estate	Developers get offset for only the input service tax component.	100% ITC is allowed to the contractor/ developer for services as well as material procured
Cost Burden on Buyers	Due to presence of cascading effect, multiple taxes become part of cost.	GST mechanism ensure developer pass on to the benefit of ITC to customers and hence effective to the buyers are lower
Transparency in Final Price	A Consolidated figure inclusive of all taxes	Full Break-up of Price is available i.e. Price+GST
Compliance	Tax compliance is complex because of multiplicity of laws and their provisions to be followed.	Tax compliance would be easier as only one law subsuming other taxes need to be followed

Source: Liases Foras Research

So how does it work? And will it impact the real estate prices or not. It's a million dollar question doing the rounds across industry. At present, for buyers of under construction properties, the effective service tax rate is 4.5%, calculated after giving allowance of 70% as cost of unit as land and goods for construction to the broad rate of 15% (14.5%+Krishi Kalyan Cess of 0.5%). In addition, VAT is levied across states roughly ranging between 3-5%. E.g. Key states such as Haryana, Delhi and Maharashtra charge VAT which is around 1% of the contract value for under-construction projects.

For Developer, Central excise duty is payable on most construction materials at the rate of 12.5%. VAT gets added to it at 12.5-14.5%. Construction material is also at present liable to entry tax by states. Typically, these taxes on construction material procured is also currently borne by the buyers as part of the price charged from them. This is not visible to the customer as it forms a part of the cost of the flat. GST is intended to remove these cascading effects of multiple taxes and introduce a fixed rate of 12%

On the face of it, 12% looks higher than what the buyers actually pay i.e. 4.5-9% across states, **but under GST regime, developers will get the ITC facility as the taxes paid by them for both material and services put into the construction of the project. As per estimates given by developer community this tax on tax adds up to 20 – 25% of the cost of residential unit. Hence if GST is implemented and developers are allowed to take free credits of input tax paid, the cost of unit should reduce by 20% at least.**

GST Impact on Under-Construction Property: Across Various Scenario

Particulars	Current Regime	GST Regime (Full-20%)	GST Regime (Half-10%)	GST Regime (0%)
Cost of construction of a residential property (Including multiple taxes incidences)	100,00,000	100,00,000	100,00,000	100,00,000
ITC - Existing regime (Assumed to be @10%)	10,00,000			
ITC - GST (Assumed to be @20%)		20,00,000	10,00,000	0
Costs Charged to the buyers	90,00,000	80,00,000	90,00,000	100,00,000
Service Tax @4.5% (With land abatement)	4,05,000			
VAT @1%	90,000			
GST Cost @12% (Without land abatement)		9,60,000	10,80,000	12,00,000
Total Cost to the buyer (Without Stamp Duty & Registration Charges)	94,95,000	**89,60,000**	**100,80,000**	**112,00,000**
Likelihood	NA	Moderately Likely	Most Likely	Moderately Likely

Source: Industry Estimates and Liases Foras Research

Key Notes

- *Under existing regimes, developers get offset for only the input service tax component.*
- *It is assumed that developers pass on the entire tax incidence to the buyers in both regime*
- *VAT varies across states and not levied few states e.g. UP. For simplicity purpose, it is assumed to be 1%*
- *It is assumed that there is no abatement for the land component under GST as it is the case right now*
- *Stamp Duty and Registration Charges will continue to be levied as they remain outside the preview of GST*

Government on their part, has issued a notification, stating that the builders are expected to pass on the benefit of lower tax burden under the GST to buyers of property by way of reduced prices/ instalments. Developers should not ask customers to pay higher tax rate on instalments to be received after GST imposition for under-construction flats. If any builder resorts to malpractices or don't comply with govt order, the same can be deemed to be profiteering under Section 171 of the law.

However, this is easier said than done. All current under construction projects are at different stages of construction and developers would have already paid service tax and VAT for procurement of goods and services (Before July 1) **for which they will not get input credit.** Hence cost reduction will be lesser than 20% for current under construction project and essentially be a function of stage of construction for individual project.

Hence, answer to whether the project prices would increase under GST or not, hinges on developer's capacity to get the ITC for input taxes and pass the same to buyers, separately for individual projects. Unfortunately, this part of GST remains confusing. For projects half constructed and half sold as well features a scenario where both buyers and developers would have paid certain taxes on EMIs and input costs till July 1. Buyers will have to pay GST at 12% on the balance payments to the developers post July 1, and developers will get input facility for construction material procedure post July 1.

How will the developer pass on that to the customer? Plus, there is no abatement announced so far for land component till date that could change the entire analysis. Right now there are too many assumptions to work with.

This essentially means put nearing completion projects at advantage. For such projects, most buyers would have paid 90-to-95% of the price, whether they are on a construction-linked or a down payment plan. In such cases the burden of higher tax will only be on the remaining 5 to 10% amount. After July 1, any invoice issued by the builder will attract 12% GST. Many developers have already issued letters to buyers asking them to be ready to pay higher taxes on the remaining amount.

In comparison, for just launched or projects in the early stages of construction, while it is clear that buyers will definitely pay GST @12% post July 1 on majority of their EMIs, To what extent they, get the benefit of ITC allowed to the developers, remains to be seen. Their tax liability is certainly going to increase in post GST era.

Impact on Affordable Housing

Designated affordable housing projects continues to be exempted from service taxes and in all probabilities, it will be exempted from GST also. Then, affordable homes may become cheaper under the GST regime.

Even in case of affordable housing attracting GST, since construction costs will be a higher % of total cost in the affordable housing segment, the benefit of input tax credit will be significant. Under GST, key raw materials like cement and Steel remains taxable at a high rates of 28% and 18% respectively, full input tax credit is available on products utilised for construction, the overall tax incidence should be neutralised.

But middle-class or luxury housing may cost higher in the GST regime, because of lower % share in total unit cost and ITC facility limited to only 12%, it may not be sufficient to bring down the fresh tax liability to nil because of the taxes paid on other expenditures. This is true for projects in areas where land costs are high e.g. MMR especially considering the fact that there is no abatement for land component available.

Impact on Residential Rental Housing

GST exempt any rental income from residential properties used for residential purposes, hence no direct impact. However, depending upon impact on actual prices (As explained above), the rentals for residential property may vary with slight bias on the higher side for areas like MMR.

Impact on Black Money

GST purports to do is that it will help cut cash component in construction, as inputs have to be sourced from registered vendors to get input tax credits. This step will decisively cut down on the black money component in real estate. Further, GST returns process ensures that both suppliers and recipients of goods and/or services are liable to disclose transaction details w.r.t. value, amount, GST rate, etc. This will promote transparency in the ecosystem, and eligibility of credit will encourage participants to declare details, thereby minimising scope for cash-driven transactions. Further, improved efficiency in logistics should also help reduce prices of goods

GST's impact on home loans

GST is applicable on financial services, at 18%. Hence, loan processing charges are likely to increase in the GST regime. Similar to the current regime, such GST charged always remains a cost in the hands of the buyer.

Grey areas in the GST that could impact the final price of properties

- Cost of construction varies from project to project, depending on the specifications/amenities and project structure, in terms of works contract etc. So, to determine the input tax facility, how will the system work i.e. Do we have the records how much materials was bought for individual projects so that ITC can be availed on the taxes paid? How will the developer get ITC?
- It is still not clear what would be the abatement available for the land cost component. Unless abatement for land is allowed, cost to the end consumer would go up. We urge the government to remove this hurdle by treating land as zero rated under the GST regime. The positive multiplier effect of real estate on other industries would make up the revenue loss
- Beside GST, buyers will still have to bear other expenses like stamp duty which ranges from 5-8% of the value of unit purchased. Hence, the basic principal of subsuming all multiple taxes under GST goes for a toss. Ideally, Stamp duty should also have been incorporated within GST

SECTOR/REGULATORY/POLICY UPDATE

Land Pooling Policy gets a boost as Delhi Government notifies 95 urban villages

Paving the way for the implementation of Land Pooling Policy, the urban development department of the Delhi government has declared 95 villages in the city as urbanised. The move will allow the development of these land patches under the land pooling scheme aimed at providing affordable housing to city residents. The villages declared urbanised are spread across the North and South Municipal Corporations. While 50 villages are under North MCD, 39 fall under the jurisdiction of the South MCD

As per the Master Plan of Delhi (MPD) 2021, based on a projected population of 230 lakh by 2021, Delhi would require an about 24 lakh new dwelling units. In comparison, till date, the Delhi Development Authority has been able to raise only 11.69 lakh residential units.

This is significant step for Delhi Real Estate as it will pave the way for implementation of Land Pooling Policy in Delhi. The Policy is significant as it aims to create quality affordable housing within the city's limits with better infrastructure facilities. Over the past 2-3 years, virtual no progress on Land Pooling Policy has meant a yawning gap between no of affordable housing required and what is actually supplied by DDA.

Soon, housing approvals within 60 days in Delhi and Mumbai

As per ministry of Union Minister of Urban Development (MHUPA), Housing approvals in Delhi and Mumbai will come within 60 days. The notification for the model approval process in Delhi and Mumbai is expected soon. There will be an online process through which applications will be sent and approvals will come in 60 days. In case the approval does not come on time, the owner or developer can file an affidavit and start construction. Efforts are on to implement the process across the country. MHUPA has collaborated with nine ministries to resolve the issue

The developer community have been voicing their concerns for 'single window clearance' for long now. It is heartening that MHUPA has finally taken a step to remove what is supposedly the single biggest reasons for project delays. Right now, developers need 40+ permissions from various authorities before they start the construction. If implemented, the step will reduce the project lifecycle, associated project costs and hence rational project pricing.

Relaxed norms for real estate and tourism proposed in draft coastal rules

As per the latest draft MCRZ notification, The Centre, as part of its new coastal rules, has proposed to ease tourism and real-estate development, construction of coastal roads, and delegate greater powers to local planning authorities for realty development. Interestingly, the draft notification said that it would allow reclamation for coastal roads. This exception has come in the backdrop of environment ministry's approval for the coastal road in Mumbai. This proposed change would now also allow other states to reclaim land for coastal road projects without seeking special permissions

The new MCRZ notification, which is yet to be finalised, will replace the existing CRZ notification, 2011, which presently regulates all activities along the over 7,000 km long coastline of the country.

INFRASTRUCTURE UPDATE

The government plans to redevelop prominent railway stations, to start with Kanpur & Allahabad stations

As part of the union government's redevelopment scheme under PPP model, two important railway junctions in Uttar Pradesh, Kanpur and Allahabad junctions are going to be auctioned with a bid price of for Rs 200 Crore and Rs 150 Crore respectively to private developers. As part of the redevelopment, the bidders are expected to revamp infrastructure at the train stations like platforms and lounges. They will also be allowed to build hotels, malls, multiplexes and other commercial units at the land that will be earmarked by the railways. The bidding process has been initiated after consultations with real estate players.

Broadly, the government has bigger plans to redevelop 25 of the country's most prominent railway stations using PPP model. The minimum investment for this project was slated to be Rs 30,000 Crore. Some of these stations includes Bengaluru city, Lokmanya Tilak in Mumbai, Pune, Thane, Visakhapatnam, Howrah, Allahabad, Kamakhya, Faridabad, Jammu Tawi, Bangalore Cantonment, Bhopal, Mumbai Central (Main), Borivali, and Indore.

Indian Railways plans to fetch funds from the global market to boost infrastructure

In a bid to boost infrastructure, the Indian Railways will raise Rs 35,000 Crore with the assistance of World market which would generate separate fund for investment in the railway sector. The proposed fund is intended for all major ticket rail-based projects such as port connectivity, freight terminal up gradations and rail expansion in PPP model. Reportedly, the Railways of India Development Fund (RIDF) will be separate from the rail budge. The national transporter will seek a Cabinet approval for setting up of the RIDF in next month as the World Bank is understood to have given its in-principle nod for creation of the fund

Haryana government signs 5 MoUs worth Rs 18,000 Crore in Singapore

The Haryana government today signed 5 agreements with Singapore-based companies to attract Rs 18,000 Crore investment in development projects in infrastructure and industrial sectors. The five MoUs were signed with Meinhardt Group, YCH Logistics for Logistics projects, Ascendas Singbridge for Townships/Logistics parks development, Adonis for Wellness projects and equity investor Equis Energy which makes investments in a wide range of projects, including transmission and power distribution among others.

The said development will pave the way to project Haryana as “A competitive destination internationally”, by way of promoting the state as a corporate capital, as an industrial destination, as a residential and entertainment centre, while retailing its edge in manufacturing, services and knowledge sectors. However, availability of land, faster execution on approvals and steady implementation will hold the key for desirable results for the state government.

Rs 1,000 Crore freight village in Varanasi gets govt backing

State Govt of Uttar Pradesh has promised to help acquire 100 acres of land for the creation of an Rs 1,000-crore multi-modal ‘freight village’ in Varanasi, to be developed by the Inland Waterways Authority of India. The village, a one-of-its-kind infrastructure platform, will anchor movement of goods by railways and roadways ultimately dovetailing with the waterways’ scheme of things, as per plans. The facility will come around the proposed multi-modal terminal adjacent to the city on the banks of the Ganga. The authority has already zeroed in on a certain location near junction of NH-02 & NH-07

It will help Varanasi shed the tag of a religious centre to become a critical future freight-movement hub for north and eastern India. The proposed location is 6km from the nearest railway station i.e. Jeonathpur, on the main Kolkata-Delhi rail route and the future Eastern Dedicated Freight Corridor. It will help the real estate market in Varanasi as well

DELHI NCR

Boost for real estate in Delhi: DDA, MCD can now give green nod for projects on big plots

In a big boost to the real estate sector in the Capital, projects coming up in plots of up to 1, 50,000 Sq Meters will no longer be required to get separate approval from the Union environment ministry before starting construction. While for smaller projects of less than 20,000Sq Meters, developers will have to give a "self-declaration" clause, which will ensure issuance of permission from urban local bodies (ULBs), for larger projects up to 1.5 lakh Sq Meters, the Delhi Development Authority and the three municipal corporations in the Capital have to give the environment clearance as well as grant construction permits.

The environment ministry has also brought down the number of clearances that a developer presently requires -- from 30 to a mere 8 depending on the size of the project. Delhi Real Estate will get a significant boost from the proposed step. This will result in reduction in time, cost, red tape and increase the supply making the real estate market profitable

Delhi Metro's 'Heritage Line' thrown open to public

Foraying into the Walled City of the national capital, Delhi Metro has opened up 5.17km long ITO-Kashmere Gate 'Heritage Line' for public use. The new line, which is essentially an extension of the Violet Line that runs between Faridabad and ITO presently, has 3 stations -- Delhi Gate, Jama Masjid and Red Fort. It will take considerable load off the Chandni Chowk and Chawri Bazar stations of the Yellow Line. With this, the Kashmere gate metro station has become the first station in the DMRC network to have 3 interchange facilities – for Yellow, Red and Violet Lines

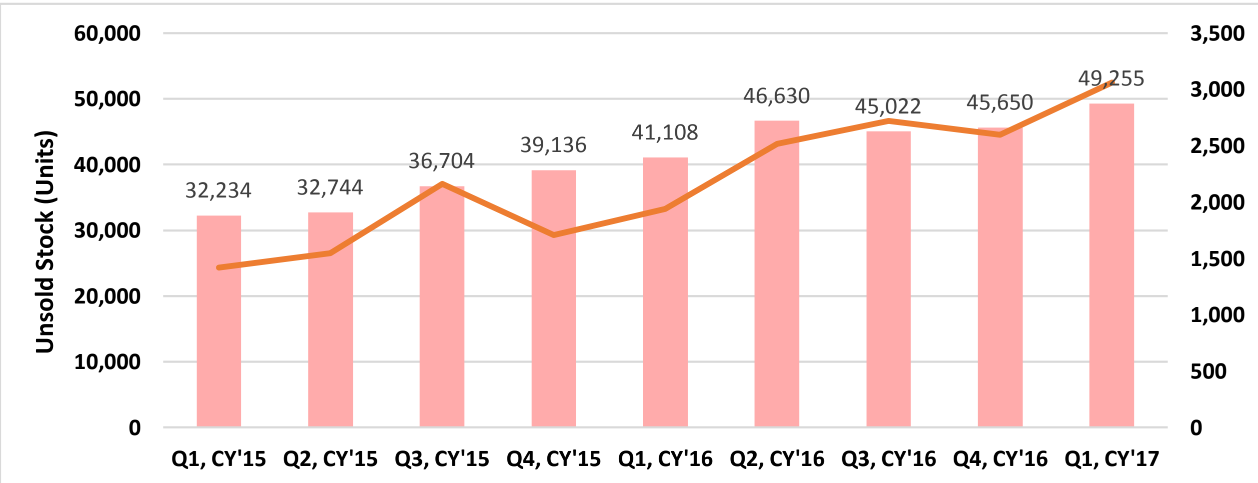
With the opening of 'Heritage Line', the total metro network currently operational in Delhi NCR is now 217km long with 162 stations. Another 346km of Metro Rail is operational at present across cities like Mumbai, Bengaluru, Chennai, Jaipur etc.

Further, around 530Km is under construction in various cities and more than 800Km is under consideration with various state governments

Gurugram cuts circle rates for second year in a row

In the wake of dwindling real estate demand & high pricing, HUDA has once again slashed the Circle rates of properties across segments by 3-8% in Gurugram, for the financial year of 2017-18. However, the circle rates have been raised marginally (2-4%) in some colonies of Old Gurgaon, like Friends Colony, Gandhi Nagar, Hira Nagar, amongst others. While the circle rates (government rates) were reduced by 10-15% in 2016-17, they were kept unchanged for two previous years (2014-15 and 2015-16) in the wake of a slump in the real estate sector.

Gurugram: Unsold stock Vs. Absorptions



Source: Liases Foras Research

We believe that the rate cut, the second in a row, will lead to a price correction that will help boost a sluggish market as more homebuyers will now be keen to invest in properties. Over the past 2 years or so, unsold stock have been rising steadily, while absorption remains subdued for an aggressive markets like Gurgaon. Putting things in perspective, for the latest quarter (Q1, CY'17), unsold stock stands at 49,255 Units as against absorption levels of mere 3059 units. This gives us a inventory overhang of 48 months.

Lowering the circle rates is expected to result in higher revenue collections from stamp duty for cash strapped HUDA, which could focus on pending infrastructure projects within Gurgaon city e.g. Central Peripheral Road.

Ghaziabad authority to auction more than 1,700 unsold flats

The Ghaziabad Development authority (GDA) will auction over 1,700 flats in its housing projects that were previously unsold through a lottery system to prospective buyers. According to estimates, nearly 50% of the flats are already ready to move in and buyers will be given possession of the property immediately. The flats range from Rs 5 Lakh to Rs 70 Lakh. There are around 700 unsold flats in Madhuban Bapudham, around 375 in Indraprastha, 300 in Koyal Enclave, 158 in Kaushambi, 70 in Chandrashila, 59 in Vaishali and 50 in Modi Nagar schemes.

The properties have remained unsold for years and are expected to be holding up a revenue of nearly Rs 250-300 Crore for GDA. As per the authority, the rates for the unsold properties have been frozen again and these units will soon be put up for sale, as per the prevailing rate.

First Greater Noida Metro may run from December

The first Metro train from Noida to Greater Noida could run as early as this December, three months before the March 2018 commissioning date. The 29.7km corridor, connecting Noida City Centre to Bodaki in Greater Noida, to be dubbed `Aqua Line' is racing to the finish line and, according to the DMRC, will be the fastest Metro project built in India in less than 2.5 years.

The stretch is also setting another record, of being the most economical Metro project to be built in the country. Originally assessed at Rs 200 Crore a km, the actual cost could be around just Rs 150 Crore or even less. In comparison, Delhi Metro's Phase 3 is being built at a cost of Rs 552 Crore per Km

MMR

Maharashtra stays hike in ready reckoner rates on land in Mumbai Metropolitan Region

The Maharashtra government has stayed hike in ready reckoner rates in the MMR on land including BMC for a month to provide relief to developers struggling with slowdown in the real estate. However, the proposed stay is applicable only for plots and not on other property in Mumbai. Other municipal corporations such as Thane, Kalyan-Dombivali, Navi Mumbai, Mira-Bhayander, Bhiwadi-Nizampur, Ulhasnagar, Vasai-Virar and Panvel will also benefit from the move in future

The government has also asked the stamp and registration department to come out with revised rates. Until then, RR rates of the last year (2016-17) will continue to be used. Earlier, the state government had in April announced a hike in ready reckoner (RR) rates by 5% to 7%.

Home buyers in Maharashtra to now pay VAT on staggered payments

In a move that would impact all real estate transactions across the state, the Maharashtra government has issued a notification to levy value added tax (VAT) based on staggered payments received from home buyers. With this, buyers making payments before June-end for under-construction properties will be charged 1% VAT, while payments made after that will attract 6% state GST under the new tax regime. With this, the treatment for payment of VAT is now aligned with the service tax, which is also charged based on milestone payments.

This is a welcome move by which the buyers are getting the benefit of VAT payment in a staggered manner instead of paying upfront at the time of registration. However, this positive move will turn out to be negative keeping in mind the advent of GST from July 1, because all payments after GST implementation will attract SGST at 6% against 1% VAT. Home buyers may be better off making payments before July 1, especially for housing projects that are nearing completion in the next 3-6 months.

Mumbai plans to revamp BDD chawls

Mumbai urban authority has set out an ambitious plans to redevelop the colonial-era BDD chawls in 4 locations in south and central Mumbai. These four chawls are spread across more than 93 acres of land in prime sites and right now are home to more than 16,500 families, many of whom pay a monthly rent of about Rs. 18-20 each.

The Authority, on their part, plan for the BDD chawls is to give tenants two-bedroom flats measuring 500sqft each in high-rise towers. A third of the land will be developed and sold commercially to help meet the project cost of more than $1 billion. As per the plans, only tenants who can prove they lived there before 1996 are eligible for a new flat. Anyone who owns property elsewhere in Mumbai is barred. The authority has already given contracts to L&T and Shapoorji Pallonji to draft out the initial plans for the ambitious projects

Versova-Bandra sea link gets Maharashtra government nod

In a major boost to development in the city, Thane and Pune, the cabinet sub-committee on infrastructure on Tuesday gave its final nod to various projects including the Rs 7,500 Crore Versova-Bandra Sea Link (VBSL). This is part of the coastal road project linking Nariman Point with the northern suburbs. The committee also approved the proposed widening of the Mumbai-Pune Expressway to eight lanes from the existing six lanes between Khalapur and Lonavala. The committee gave its nod to build the VBSL based on the cash-contract model, meaning the state will build the sea link on its own and then recover costs by charging toll.

The Mumbai-Pune Expressway project will be built on a BOT model. Its construction includes widening of the expressway to 8 lanes from the existing 6 lanes and building 2 bridges and 2 tunnels between Khalapur toll plaza and Sinhagad Institute at Lonavala. This will help ease traffic congestion and saving commuters' time. The project is expected to save around half an hour while travelling on the route

REGIONAL

BENGALURU

BDA to slash pricing for low cost housing projects

With demand for apartments built by it dipping, Bangalore Development Authority (BDA) has now decided to slash the prices of its flats by 25% and 44% for buyers from EWS sections and Dalit communities respectively. BDA attributes the drop in demand for these structures on the sales notification coinciding with the currency demonetisation period which saw a lull in the real estate sector. This would be in addition to the ongoing scheme of building houses for the poor on government lands recovered from land aggregators

PUNE

Pune Municipal Corporation sets up 5 special funds to keep urban projects rolling

WITH mega infrastructure projects in the pipeline for the city amid the possibility of a fund crunch, the Pune Municipal Corporation (PMC), acting on the directives of the state government, has set up 5 special funds which will be channelled for developing specific projects. The funds will be raised from the 'Premium FSI' that will be allotted to real estate developers.

"The recommendations for opening up an account for raising special funds was made by the City Engineer's department. The funds have been planned with a set target for the current financial year. Funds would be raised from the premium recovered through building development permissions or commencement certificate given to the new constructions in civic jurisdiction.

Proposed Funds by PMC	Amount (Rs Crore)
Pune Infrastructure Fund	55
Critical Infrastructure Fund for IT/ITeS	23
Heritage Conservation Funds	2
Urban Transport Land Development Charges	20
Urban Transport Building Development Charges.	40

KOLKATA

India's first underwater tunnel for Howrah-Kolkata Metro completed ahead of time

The tunnelling work under the Hooghly river, the first such underwater project in the country, to provide metro connectivity between Howrah and Kolkata has been completed before its scheduled timeline of July this year. The 520-metre twin tunnel, one east-bound and the other west-bound, is built 30 metre below the riverbed. The tunnel has been built at a cost of Rs 60 Crore and the work on the same started in April, last year

The East-West metro rail project, connecting Kolkata to Howrah, spans 16.6km and will have 12 stations, six of which will be under the ground, while the remaining six stations will be on elevated tracks. The final commissioning of the project commissioning of the project is expected by December 2019. The total project cost is $750 million, which roughly comes to around Rs 5,000 Crore

CHENNAI

Chennai Metro's First Underground Stretch Inaugurated

After considerable delays, the 7.4km long underground stretch of the Chennai metro rail network, connecting Tirumangalam and Nehru Park has been inaugurated in May. The stretch will comprises of 5 important stations: Anna Nagar Tower, Anna Nagar East, Shenoy Nagar, Pachayappa's College and Kilpauk Medical College. This would be the third Metro stretch to become operational since the project was launched in 2012. The existing routes — Koyambedu to Alandur and Little Mount to Chennai airport — are elevated

The stretch is a part of ongoing Phase-I of approved Chennai metro rail network. Once completed, the Chennai Metro Project Phase-I is expected to have over 800 trains running in either direction each day, transporting an estimated 7 lakh people each day by the year 2021. The phase II project of Chennai Metro Rail covering 108 km has been sent to Centre for approval.

Tamil Nadu slashes property guideline value by 33%

Hit by low realty transactions for successive years, the Tamil Nadu government has decided to effect a 33% reduction in guideline values (the government-fixed minimum value of properties) for registration of properties. The move could remove hurdles in property transactions in many rural areas, where guideline values were at times higher than market values. To compensate for the possible loss of revenue, the government has increased the registration fees for conveyance, exchange, gift and settlement effected in favour of non-family members deeds from 1% to 4%.The new rates have come into effect on 16th June.

LUCKNOW

'Priority Corridor' of Lucknow Metro to open June-end

The 8.5-km-long "Priority Corridor", from Transport Nagar to Charbagh on the North-South line (Chaudhary Charan Singh Airport to Munshipulia), which is also Phase-1A of the project is likely to begin commercial operations by June end. While the infrastructural ground work on the corridor is complete, officials are waiting for the last of the four trains needed to put the system in operation. The estimated expenditure for the priority corridor is Rs 2,000 Crore.

The second phase of the project is the 11km-long East-West corridor, stretching from the Charbagh railway station to Vasantkunj. The corridor will have 12 stations. The project, however, is yet to get approval

HYDERABAD

Government to set up land banks in civic bodies

Following the overwhelming response the State government got to the land auction in Hyderabad recently, it is decided to create land bank in all municipal corporations and major Urban Local Bodies (ULBs). Recently, government land in Raidurgam, near the Information Technology hub of Madhapur, fetched as much Rs 29.28 Crore an acre at an auction conducted by Telangana State Industrial Infrastructure Corporation Ltd (TSIIC). Land was bought by noted pharma company Aurobindo Pharma Ltd.

Sensing a business opportunity, TSIIC had been asked to identify lands in the prime locations in all districts and create land banks which had business potential in the coming years. The focus would be on Warangal, Karimnagar, Nizamabad and Khammam Municipal Corporations. The government will develop infrastructure like road connectivity, electricity and water supply connections in the land banks and put them on online auction globally. The corporation will also explain the investors about the potential business projects in those areas which could witness industrial development in future.

The corporation already owns nearly 1500 acres of land in Greater Hyderabad limits. It now wants to create more than 5,000 acres of land bank.

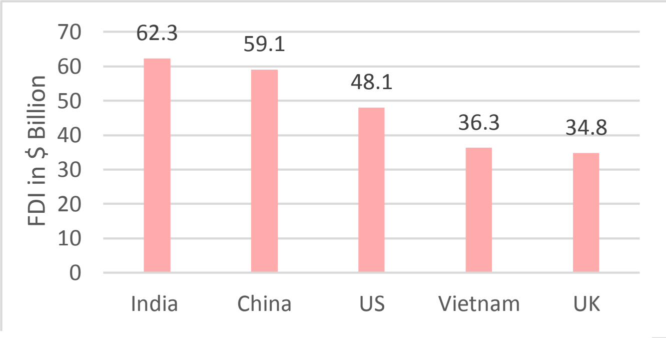
MACRO ECONOMIC TRENDS

India Again Ahead Of China, US with $62.3 Billion FDI Inflows In 2016

India retained its numero uno position as the world's top most greenfield FDI investment destination for the second consecutive year, attracting $62.3 billion in 2016. India has remained ahead of China and the US as far as FDI inflows were concerned in the last year, said the FDI Report 2017 compiled by FDI Intelligence.

As per the report, FDI by capital investment saw an increase of 2% to $62.3 billion in 809 projects during 2016 in India. This was notwithstanding the changing global investment landscape in 2016 as FDI gravitated to locations experiencing the strongest economic growth, while locations in recession or facing high levels of uncertainty saw major declines.

FDI: Top 5 Countries



Source: FDI Report 2017 by FDI Intelligence

India's economy to grow 7.5% in FY 2017, 7.7% in FY 18: Moody's

As per global ratings agency Moody's Investors Service, The Indian economy will grow by 7.5% in fiscal year 2017 and 7.7% in 2018 and growth will gradually accelerate to around 8% over the next 3-4 years. The agency said that the negative impact of last year's demonetization on the economy has been limited in size and duration. Moody's said the government has been successful in pushing through several key reforms including liberalization of foreign direct investment rules in a number of key sectors, including defence, railway infrastructure, civil aviation and insurance; the Direct Benefit Transfer scheme for food; fertilizer and kerosene subsidies; the goods and service tax , which is expected to come into effect in July. Together these will help reduce inefficiencies and improve trend growth over the long run.

GDP growth slows to 7.1% in year of demonetisation

Indian factory growth cooled in May as new orders expanded at a more modest pace, but manufacturers were able to raise prices slightly, according to a private survey. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, fell to 51.6 in May from April's 52.5, marking its fifth month above the 50 level that separates growth from contraction. Output expanded at the softest pace since February but remained moderate. The new orders sub-index, which reflects both domestic and foreign demand, fell to 52.6 from 53.8 in April. Export orders contracted for the first time in four months, albeit marginally

Government meets 3.5 per cent fiscal deficit target in 2016-17

As per the provisional accounts for the last financial year released by, Controller General of Accounts (CGA), the government central government has achieved the fiscal deficit target of 3.5% of GDP (Rs 5.35 Lakh Crore) for the year 2016-17. The CGA further said that revenue deficit during the last fiscal was 2.02% of GDP.

Further, as per the provisional data, the fiscal deficit in April 2017 was Rs 2.05 Lakh Crore, which is 37.6% of the Budget estimate, as against 25.7% in the year-ago period. For 2017-18, the government aims to further bring down the fiscal deficit -- the gap between expenditure and revenue -- to 3.2%. Total expenditure of the government in April was Rs 2.42 Lakh Crore, or 11.3% of the full-year estimate.

INVESTMENT ACTIVITY

Private Equity Investments

Investor(s)	Target	Stake (%)	Amount (Rs Crore)	Business	Strategy
Xander Group	Gulmerg Retail	100.0	700.0	North Country Mall in Mohali	SPV/Project
ASK Group	ATS Infrastructure	100.0	200.0	'Knights Bridge', a Mixed land use	SPV/Project
KKR	Signature Global	NA	200.0	Residential/Commercial Development	Growth
Lok Capital and Duane Park	Ummeed Housing Finance	NA	23.4	Affordable Housing Finance	Growth
IFC	Aavas Financiers	NA	40.0	Affordable Housing Finance	Growth

Land/Development Rights Transactions

Buyer	Seller	Location	Deal Value (Crore)	Strategy
Mihir Homes Enterprise	Tech Mahindra	Bavdhan	70.0	Real Estate Development

Key Trends/Activities:

CPPIB expands India realty bet with $1.2billion IndoSpace JV

Canada Pension Plan Investment Board (CPPIB) plans to invest as much as $1.2 billion (Rs 7,700 Crore) in a JV with Indian developer IndoSpace to acquire and develop logistics facilities in the country. As part of the deal, IndoSpace Core will acquire 13 industrial and logistics parks totalling about 14 million Sqft from IndoSpace development funds. The assets are prime properties located in the top industrial and logistics hubs in India, including Chennai, Pune, Mumbai, Delhi and Bangalore. IndoSpace Core also has the option to acquire additional industrial and logistics parks totalling about 11 Million square feet worth about $700 Million. These parks are being developed by IndoSpace funds. The JV will also acquire stable assets from third parties across India

CPPIB, which has been active in India's realty market in recent years, has initially committed about $500 Million to the JV— IndoSpace Core– for a significant majority stake

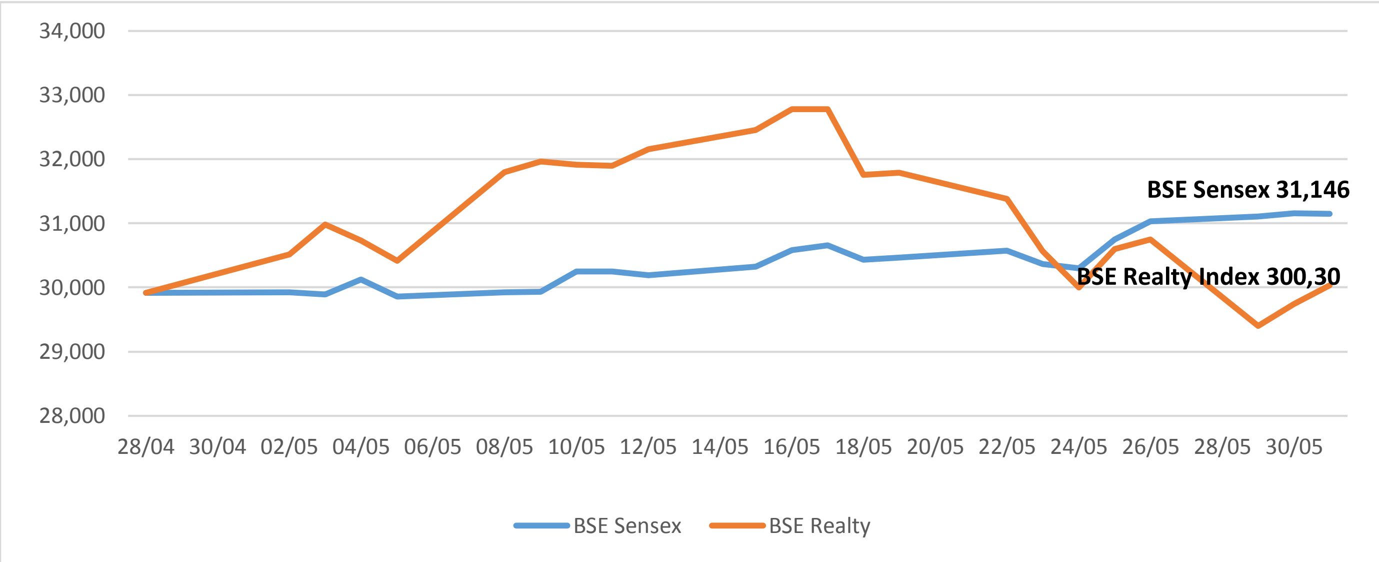
Xander likely to raise $300-400 Million India fund later this year

US based, Xander Group Inc. is well on track to raise its fifth India opportunity fund later worth $300-400 Million this year. This is after Xander's fourth India opportunity fund is now fully invested and its returns are tracking well.

Xander has committed to invest over $2.3 billion in India since the government's first initiative to allow foreign investors to invest in real estate in 2005. In 2017, we see an improved policy and regulatory regime, which encourages investors like ourselves and keeps us engaged in the Indian market. By the end of this financial year, Xander expects to grow their office portfolio to about 10 Million Sqft. Xander has a pipeline of more than 3 Million Sqft and would like to achieve it 100% acquisitions and in JV partnerships, in special circumstances

STOCK MARKET UPDATE

BSE Sensex vs. BSE Realty Index



Source: BSE Sensex. BSE Realty Index is rebased to BSE Sensex

Commentary

- During the Month of May, BSE Sensex clocked a growth (mom) of 4% - comfortably outpacing BSE Realty Index growth of 0.4% during the corresponding period.
- The confusion over RERA implementation, more compliance issues, uncertainty over GST rates and prolonged slowdown in overall bearish sentiments have weightage down the BSE realty index during the month of May

Disclaimer

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About Us

Strategic Partner: dmg::information

Liases Foras: The Pioneer in Scientific Research in Real estate

Founded in 1998, Liases Foras is a non-brokerage research centric firm that offers data and advisory services. Our works on industry and scientific prognosis of the local market is highly regarded. We have an organized and structured data source on real estate and property trends in India, which is updated on quarterly basis by primary market survey.

In 2015, DMG information, UK acknowledged us as their strategic partners.

Data & Coverage

Liases Foras has a geographical coverage of more than 125000 projects all over India. As of today, we monitor more than 18,000 ongoing projects every quarter spanning 55+ cities in India, which comprises 80+ Census cities. We have tracked over more than 50 billion sq ft of Residential, Commercial and Retail supply over time.

PRODUCTS

Ressex
Ressex, our online data interface, provides structured solutions to day-to-day questions pertaining to real estate markets and projects.

Comparables
Comparables is a first of its kind, web based property value validation tool.

Developer's Rating
Extensive analysis of on-ground performance of more than 9000 developers across 62 cities in India.

Business Intelligence and Risk Analytics
With our razor-sharp analytics, we help banks, HFCs and corporates to identify the potential opportunity and underlying risks.

Crystal
Crystal is a valuation workflow system which streamlines the interaction between lenders, valuators, and surveyors in carrying out valuations using automation and mobile devices.

ADVISORY SERVICES

Highest and best-use analysis
Every structure belongs to its location and time. The analysis scans various options to find out the one which gives the highest/ maximum development realisation.

Valuation advisory
Liases Foras offers transparent, scientific, data-driven and unbiased valuation solutions.

Urban planning services
We prepare City Development Plans outlining the vision and development strategy for unlocking land in a city.

Preparing A design brief
Extending beyond the best-use prognosis, we write uncluttered, contextual design briefs for Master Planners/Architects.

Consumer survey & profiling
We specialise in the field of real estate-specific consumer surveys.

Product viability study
This study is to ascertain whether the envisaged development and product plan of the developers are correct or risky.

Risk Reports
Risk Reports are carried out primarily to assess the state of the market and measure the price correction during oversupply scenario or default risks in the market.

Portfolio Optimization Strategy
Every structure has an opportunity cost. We analyse organisational functions, manpower and real estate assets to arrive at an optimal cost and an effective portfolio.

Location & Entry Strategy
This study understands the growth patterns of a city and real estate developments, to arrive at an ideal location for projects and establishments.

Marketing Strategy
Partnering with the developer to formulate a marketing plan keeping in mind the target audience, positioning, product and pricing.