



INPUT TAX CREDIT - THE REAL GAME CHANGER FOR REAL ESTATE





PREVIEW

The Goods and Services Tax (GST) has finally become a reality as India joins another 160 nations across the world that have already adopted a unified indirect tax structure. GST effectively cuts through a confusing multi-layered taxation structure to pave way for single transaction tax at the time of consumption. Example from other countries have shown that such tax structure have been able to lower its corporate and personal income taxes, which in turn has encouraged more FDI and stimulated the overall economic growth in the country

In GST, Input Tax Credit (ITC) facility is being hailed as biggest game-changer, whereby credits of input taxes paid at each stage of production or service delivery can be availed in the succeeding stages of entire value addition chain. Govt. has mandated developers to essentially pass the ITC benefits to buyers in the form of reduced prices, to compensate the higher GST – fixed at 12%

However, buyers across markets are perplexed thinking how the whole mechanism will work. At present, while their liabilities in terms of higher GST on subsequent instalments are fixed, their benefits are not fixed or guaranteed. This is because developers too, are unsure about the ITC benefits they would be getting from their vendors. For them, reworking contracts with existing customers in case of partly paid for projects well ahead into their construction, remains a challenge in months to come

We need to wait for another 6 months to see how the market moves based on these reforms to see a price change. Some clarity on pivotal issues including land abatement, disclosures under RERA and enforcement of anti-profiteering clause will do no harm to buyer's confidence

Then, there has been air of optimism due to positive developments including approval for a Greenfield airport in Greater Noida, induction of 30 new smart cities, ADB committing a \$10 billion aid to improve infrastructure, metro corridors getting operational in Bengaluru and Kochi and falling inflation fuelling hopes of rate cut by RBI. All aforesaid developments and sentiment booster and likely to provide fillip the sales in the near term

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NEWS OF THE MONTH

Decoding the Input Tax Credit (ITC) In Real Estate

The Goods and Services Tax (GST) has finally become a reality and is touted as the one of the biggest tax reforms in Indian. For real estate, removing the cascading effects of the current tax regime to pave way a simple and single transparent tax applied on the purchase price is the biggest take-away for property buyers.

While the GST is being lauded for simplifying the tax structure, the Input Tax Credit (ITC) is being seen as the biggest game changer whereby credits of input taxes paid at each stage of production or service delivery can be availed in the succeeding stages of value addition. At present, the Industry is rife with speculation about the functioning or implementation of ITC facilities in real estate and its role to force a dip in real estate prices.

This is because, under the GST structure, buying under-construction properties will attract a net effective rate of 12% as against the earlier rate of around 4.5-9% (Including VAT & service tax that varies across states). However, due to the input credit benefits that most builders will get on the key raw materials they buy, the buyer could actually benefit in terms of lower prices.

The optimists might buy into the argument, but sceptics believe that the reality on the ground could be very different. Let us understand the complexities in ITC functioning:

The quantum of GST a developer will be charging customers will be based on total outstanding amount as on July 1. This can be different for different customers in the same project. It is, therefore, possible that different customers in the same project with different amounts payable to the builder and different customers in different projects with the same amount payable to the builder, may end up getting a different input set off benefit.

Let's assume that cost of construction for a housing unit worth Rs 80 Lakhs is 50% i.e. Rs 40 lakh and of which, developer has so far spent Rs 30 lakh. Under GST regime, the builder will have to pay the remaining Rs 10 lakh after July 1 to get input tax credit from the vendors. Let's assume that GST applicable to the builder is 18%, then the builder will pay a GST tax of Rs 1.8 lakh to the vendor.

Now, for a customer who may have already paid Rs 70 Lakh (possible under down payment plan) and has only Rs 10 lakh as outstanding post July 1, will have to pay Rs 1.2 lakh (@12%) as GST meaning that the builder can technically pass on the full input tax credit benefit of Rs 1.2 lakh to this buyer.

As for a different customer, who has an outstanding amount of Rs 60 Lakh (possible under subvention schemes) as on July 1, the amount due from him will be Rs 60 lakh plus 12% GST which is Rs 7.2 Lakh. Out of this, a developer may be able to pass on an input tax credit limited to Rs 1.8 Lakh only

Further the troubling part for developers is that, they themselves are left in the quandary to ascertain regarding the ITC benefits they would be getting from their vendors. That again is also dependent on whether the turnover of the vendor is less than Rs 20 lakh or over Rs 20 lakh. For new projects or projects in early stages of construction, it may be

Analysis: Passing the ITC Benefits to Customers

Cost of the Housing Unit	80,00,000	80,00,000
Cost of Construction @ 50% -Assumed	40,00,000	40,00,000
Developer Already Spent - Assumed	30,00,000	30,00,000
GST to Developer @18% -Assumed	1,80,000	1,80,000
	Scenario -I	Scenario -II
Outstanding with Buyer	10,00,000	60,00,000
GST Payable @ 12%	1,20,000	7,20,000
Passable Benefits	1,20,000	1,80,000
ITC Benefit to Buyer	Full	Partial

Source: Liasis Foras Research



relatively easier, but **developers are left with significant challenges on how to rework contracts with existing customers in case of partly paid for projects well ahead into their construction, say 50%.**

Thus, right now, there is no transparent formula whereby a customer can ascertain what benefit he can get. ***It hinges on developer's capacity to get the ITC for input taxes for themselves first and then willingly pass the same to buyers, separately for individual projects.*** Accurate estimation of both remains a challenge right now and based on assumptions about pivotal things. Bottom-line, the tax is a pass-through and whether developers would reduce margins to pass on the benefits seems unlikely. Hence it will be given only when it is available with developers in actual terms

Anti-profiteering Provisions in GST Law:

Of course, the above analysis assume this critical fact that all developers are willingly passing on 100% ITC benefit to buyers. They may just have to because of the anti-profiteering provision. To ensure that manufacturers, developers and service providers pass on the benefit to the final customer, the Government has included an anti-profiteering clause in the GST bill under section 171 of GST law. This clause clearly states that it is mandatory to pass on the benefit tax reduction due to input tax credit to the final customer.

If any developer chooses not to do so, then there are penal consequences, to be decided by Anti-profiteering Authority

Key Points about the Anti-profiteering Provisions

CBES Directive	<ul style="list-style-type: none"> • Section 171 of the Central GST Act provides that any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit will be passed on to the recipient by way of commensurate reduction in prices
Typical Procedure	<ul style="list-style-type: none"> • As per the structure, the complaints of profiteering would first come to the Standing Committee comprising tax officials from states and the Centre • It would forward the complaint to the Directorate of Safeguards (DGS) for investigation, which is likely to take about 2-3 months to complete the inquiry • On completion of investigation, the report would be submitted to the anti-profiteering authority which would decide on the penalty. Where the consumer cannot be identified, the recovered amount shall be deposited in the Consumer Welfare Fund as provided under Section 57 of the Central GST (CGST) and State GST (SGST) Acts, • A period of 8-11 months has been provided for the whole process involving screening of the complaint and subsequent investigation and action, if any, by the anti-profiteering authority.
Anti-profiteering Authority Set-up	<ul style="list-style-type: none"> • A 5 member anti-profiteering authority will be set up to decide on levying penalty if businesses do not pass on the benefit of price reduction to consumers under GST. • The authority, to be headed by a retired secretary-level officer, can take suo motu action, besides acting on complaints of profiteering
Time-Frame	The Anti-profiteering provision will have a sunset date of 2 Years

Besides the aforesaid guidelines, there is no concrete mechanism to compel developers to pass the benefits. While these guidelines serve as a deterrent, But considering the track record of real estate developers, it remains to be seen how many actually comply with the law in an honest manner. Sadly, if they choose not to, it is the buyers who has to suffer and go through 8-11 months long time to get the justice.

From buyer's perspective, how do they ensure that 100% benefit is passed on to them? Where they can verify the input tax credit details verified for their individual projects and calculate the benefit available to them. At present, while their liabilities in terms of higher GST on subsequent instalments are fixed, their benefits are not fixed or guaranteed.



Already many confused buyers are writing to developers asking for clarity on their available benefits in response to developer's mails stating that going forward 12% GST is to be charged on future instalments. That is where there is scope for disputes & litigations, if developers are unable to provide satisfactory answers.

The valuation of land in the payment of taxes is another major challenge for developers who are expected to pass on the ITC benefits to buyers. As proposed earlier, stamp duty has not been summed up in GST. Hence, if the government doesn't come out with the abatement of the land value in the valuation of taxable amount, it will lead to double taxation of the land being transferred to the buyer during execution of the project. "In case of a joint development project, total taxable value of land will be a matter of concern. In the coming times, this should get addressed by authorities and courts. The buyers may end up paying higher cost in absence of abatement of the land.

Conclusion

We definitely give a thumbs up to ITC measure as it is potential to be a definitive catalyst for bringing down the real estate prices, but there is urgent need to safeguard the buyer's interest more than framing the guidelines for developers. A detailed mechanism to ensure the smooth implementation of ITC facility is warranted to educated average home buyers about the process & implementation of ITC to make it, what it is envisaged for.



SECTOR/REGULATORY/POLICY UPDATE

New list of 30 smart cities announced, investment of nearly Rs 2 Lakh Crore approved

Central govt. has come up with new list of fresh 30 cities to be included in the “Smart City” mission. Thiruvananthapuram in Kerala has topped the charts, followed by Naya Raipur (Chhattisgarh), Rajkot (Gujarat), and Patna and Muzaffarpur (Bihar). With this, the total number of cities identified under the ambitious “Smart Cities Mission” to 90.

The total investment proposed under these 30 cities stands at Rs 57,393 Crore. This includes Rs 46,879 Crore for ensuring core infrastructure in the areas identified by citizens for area-based development and Rs. 10,514 Crore for technology-based solutions for improving governance, service delivery and utilisation of infrastructure. With this, the total investment approved under the smart city plans of 90 cities has gone up to Rs 1,91,155 Crore

Further 20 cities will be contesting for the remaining 10 slots under smart city mission. These include Itanagar (Arunachal Pradesh), Biharsharif (Bihar), Diu (Daman & Diu), Silvassa (Dadra and Nager Haveli), Kavaratti (Lakshadweep), Navi Mumbai, Greater Mumbai and Amaravati (Maharashtra), Imphal (Manipur), Shillong (Meghalaya), Dindigul and Erode (Tamil Nadu), Bidhannagar, Durgapur and Haldia (West Bengal), Meerut, Rai Bareilly, Ghaziabad, Sharanpur and Rampur (UP)

EPFO, HUDCO to ink pact for housing subsidy under PMAY

Retirement fund body Employees Provident Fund Organisation (EPFO) has entered into a definitive fact with the Housing and Urban Development Corp (HUDCO) to enable members of its housing scheme to avail subsidy and interest subvention under the PMAY. Under the housing scheme, EPFO allows its subscribers from societies for withdrawing up to 90% of their EPF accumulations to buy homes.

The Central Ministry of Labour intends to facilitate at least 10 lakh subscribers in the next 2 years. Further, the scheme will be aligned with the other housing programmes of respective state govt, all benefits can be clubbed together.

PMAY is to be extended to private land

Central govt, is contemplating broadening the scope of Centre’s flagship programme PMAY to private lands, a move aimed to give momentum to affordable housing in urban areas. The Ministry of Housing will come up with supplementary guidelines for the same in near future. The move is based on the “large” number of requests the ministry had received from people who want to construct affordable housing projects on their own lands

Builders to be fined for not transferring ownership

Tightening the screws on errant builders, now, if any builder sells more than 50% flats in a building or obtains an Occupation Certificate (OC), then, within 3 months the builder has to hand-over the conveyance deed of the property to the society. If he fails to do so, a penalty of 5% will be charged initially and if he fails to comply with the order, another 5% of the project cost will be levied under the recently introduced RERA

A per estimate, more than 40,000 societies in the MMR alone, do not possess a conveyance deed. Hence, no proper ownership of the land on which the building is erected belongs to the society. The absence of the conveyance deed poses as a hurdle especially when old buildings have to undergo redevelopment. Hence, it is also a significant cause of litigation, especially in case of MMR where more old buildings are taken up for re-development

With this move, the aim is to instil discipline among builders. In the long run, residents will benefit from the conveyance deed as it is an important aspect to prove ownership of land



Govt may allow extra floor area for builders to push housing for poor

In its bid to push construction of affordable houses under the PMAY, the government is likely to sanction more FAR to builders in lieu of creating dwelling units for the poor. There is also a proposal to provide builders with land for high-end apartments in one part of the city and in return, they will have to construct a complex of affordable houses in another location. The private developer will provide the land in this case

The ministry has also proposed policies to allow building affordable houses on private land. Under this model, private developers shall provide land. In this case, government authorities will grant subsidies on stamp duty and charges for external and internal development, besides allowing higher FAR. Single window clearances will also be allowed to incentivise private developers to build such housing units

INFRASTRUCTURE UPDATE

ADB to invest \$10 billion over 5 years in Indian infrastructure

In a boost to India's infrastructure development programme, the Asian Development Bank (ADB) has committed to investing \$10 billion in the country over the next 5 years. While \$5 billion will be used for creating infrastructure in states such as Uttar Pradesh (UP), Bihar, Jharkhand, Odisha, and Chhattisgarh, the balance \$5 billion will be used for developing the 2,500 km East Coast Economic Corridor, which will ultimately extend from Kolkata to Tuticorin in Tamil Nadu. ADB had last year approved \$631 million to develop the 800-km industrial corridor between Visakhapatnam and Chennai

The bank's focus is on lifting the economic performance of low-income states and developing economic corridors, particularly along the coasts. Of the \$10 billion investment proposed, around 90% will be deployed for infrastructure creation in sectors like roads, rail, water supply, smart cities and green energy projects. ADB has invested around \$43 billion in India over 30 years

India is working on ambitious plans such as Sagarmala and Bharatmala to improve transport connectivity in the country. While the total road length to be developed as expressways under Bharatmala will be around 51,000km, the Sagarmala programme envisages construction of new ports to harness the country's 7,517km coastline and setting up as many as 142 cargo terminals at major ports.

India constructs 30 km/day highway under the present govt.

As per a report by Road & Transport Ministry, highway construction activity has seen gradual increase to reach at 30km/day in May 2017, as against 22.3km per day in the last financial year. In the first two months of 2017-18 fiscal year, the average roads construction stands at 26.6 km/day that is much higher than the 19.26 km/day clocked in the same period last fiscal. It, however, still falls short of the ministry's ambitious 41 km/day target for the entire 2017-18 fiscal

The report cites road transport ministry sources as saying that a total of 1,627km highways have been built in the first two months of this fiscal: 1,176 km by ministry itself and state PWDs. Besides, a 435km by NHAI and the balance 16km by and National Highways and Infrastructure Development Corporation (NHIDCL)

Investments worth \$291 billion needed to plug water demand-supply gap in India: ASSOCHAM

As per recent joint study by ASSOCHAM & PwC, The widening gap between demand for water and its supply is estimated to reach as high as about 50% by 2030 and plugging this huge gap would need an additional investment of about \$291 billion. Report suggests the sources that can be used to bridge water demand-supply gap, augmented and sustainable surface water sources would require funds to the tune of \$215 billion followed by groundwater \$45 billion. Considering that the share of rural population to the total Indian population is 40%, funding requirement of \$25 billion will increase by 40% to reach \$35 billion by 2030 if the funding gap for the rural sector is also taken into consideration

REGIONAL

DELHI NCR

Govt. clears proposal for setting up new airport in Greater Noida

In a major development, Central Ministry of Civil Aviation has granted 'In-principle' clearance to an international airport at Jewar, along Yamuna Expressway in Greater Noida. The greenfield airport would require about 3,000 hectare of land, which has already been notified by Yamuna Expressway Industrial Development Authority (YEIDA). In Phase-I, close to 1,000 hectares will be acquired. When fully completed over the next 10-15 years, the Greater Noida International Airport will have the capacity to handle 30-50 million passengers per year (MPPA). Project will involve an investment of around Rs 20,000 Crore

Key Markets nearby proposed Airport: Reeling under pressure

	Total Projects	Total Supply	Unsold Stock	Months Inventory
Greater Noida	238	2,39,011	98,778	52
Noida	139	1,12,016	36,411	59
Ghaziabad	170	97,239	46,961	83

Source: Liasis Foras Research

The Jewar airport is expected to be the cargo hub of the country apart from catering to domestic and global traffic. It is also expected to provide fillip to struggling real estate markets of Greater Noida, Noida and Ghaziabad. It has already infused some positivity into the market as many builders which had expressed a desire to exit their housing projects and surrender the land on Yamuna expressway back to the authority, are now intends to retain their land and develop the same in the near future. YEIDA will also revive work on the proposed 21km Metro link between Greater Noida and Sector 22, parallel to the expressway.

Dwarka Expressway Gets National Highway Status

NHAI has issued a notification, granting a 'National Highway' status to the 28km long Dwarka Expressway. It essentially mean that Dwarka Expressway will now be taken over by NHAI and can be completed faster now. The fresh deadline for the completion of this expressway is August 2018. Once operational, the road will reach completion it will become an alternate route between Delhi-Gurgaon, it is expected to reduce traffic significantly on existing Delhi-Gurgaon expressway.

As per NHAI's notification, the 28km long expressway starts from Shiv Murti in Delhi (on NH-8) and passes from the parallel of T-3 of Delhi Airport up to the junction of sector 25 and 26 in Dwarka, named as Barthal Chowk, from where it will take a left and go straight to Kharki Daula in Gurugram. While only 1.4km remains to be constructed in Gurugram, land acquisition process has been initiated to acquire 24 hectares of land in Delhi. . The main roadway is proposed to be of 8 lanes with 3- lane service road on either side

Dwarka Expressway – Key Data Points

No of Projects	54
Total Supply (Units)	27,562
Unsold Stock (Units)	8,862
Weightage Avg price (Rs psqft)	6,936
Months Inventory (Months)	40
Sales Velocity (%)	0.9

Source: Liasis Foras Research

Delhi's Ghitorni to get smart city project worth Rs 15,000 Crore

The Centre plans to develop 240 acres of land at Ghitorni, South Delhi with smart city features worth over Rs 15,000 Crore. The said land in Ghitorni belongs to Central Public Works Department (CPWD), which functions under the UD ministry and has been lying vacant since 1971. The project is proposed to be jointly developed by CPWD and state-run construction firm NBCC on self-financing basis with no cost to the government

As part of the project, the CPWD will construct about 6,500 residential units for government employees, besides developing office space for public sector firms. NBCC also, would construct about 500 houses and develop substantial office and commercial space for sale to mobilise resources for financing the project.

DDA flags off its new Housing Scheme. More than 13,000 units on offer

Dwarka Expressway – Key Data Points

Flat Type	Units	Size (Sq Meters)	Price (Rs Lakhs)
LIG/1BHK	11,671	28.3-52.6	14.9-28.5
HIG	79	77.6-142.7	41.6-104.0
MIG	398	64.0-109.9	30.2-70.1
EHS	563	24.2- 77.6	11.7-77.6
Janta	437	18.9- 30.5	6.7-15.2

Source: DDA

Delhi Development Authority (DDA) has flagged off its new housing scheme on June 30. There are 13,000 flats on offer which will be allotted through a draw of lots. Most of these located in Rohini, Dwarka, Narela, Vasant Kunj and Jasola. The scheme has been linked with the “Pradhan Mantri Awas Yojna” which means people fulfilling the income criteria will get subsidy in the interest when they take a bank loan.

Most of the flats up for grabs this time are the ones that were surrendered because the applicants found them too small or the neighbourhood was underdeveloped. However, this time around, DDA assures that basic facilities such as roads, street Lighting, water supply have finally been provided at these flats.

Moreover, to deter “unserious buyers” and check market speculation, the DDA this time has proposed multi-tiered penal measures. There are provisions of deducting/forfeiting 25-100% of the registration amount on surrender of allotted flats across various stage of cancellation. Forms for the scheme are available up to 9th August with branches across 7 designated banks.

Over 20 developers opts for Project Settlement Policy, surrender their stuck project in Noida, Greater Noida

Noida and Greater Noida Authorities have received more than 20 applications to boost their sick realty projects under the Project Settlement Policy (PSP), which gives realtors an exit route from projects that they are unable to execute, as well as benefitting homebuyers who have been waiting, past the deadline, for the delivery of their flats.

Under PSP, he can surrender the land and retrieve his money minus 15% which is the amount that was deposited with the authority before the project was started. Then, the developer has to settle the dues of all home buyers who have invested in the project for the last four years, for example, and obtain NOC from them. Once this is done, buyers with their money back, can look for another project to invest in.

MMR

Maharashtra State Road Development Corporation to acquire more land for Mumbai-Pune highway realignment

Maharashtra State Road Development Corporation (MSRDC) will acquire 266 acres of land for the realignment of 19.8km of the Mumbai-Pune Expressway at a cost of Rs 4,798 Crore. Of the total 266 acres to be acquired, 106 acres is private land owned by farmers, while the rest 160 acres is owned by the government and is forest land. The cost of acquisition is estimated at Rs 1,484 Crore. MSRDC has already obtained requisite permission from state urban development department as the section that is being sought to be straightened, passes through Lonavla municipal limits.

The proposal is to build a 12-km "missing link" between Khopoli and Kusgaon (Sinhgad Institute, Pune) spread over eight lanes. Further, the cabinet also approved the widening of the expressway to eight lanes between the Khalapur food mall and the Khopoli interchange



Maharashtra govt. further stays rise in ready reckoner rates in MMR

State govt. of Maharashtra has extended a stay up to September on an average of 5% rise in ready reckoner rates (RR) on land or open plots in MMR that comprises Mumbai city, Mumbai suburban, Thane, Palghar and Raigadh. The government had revised the RR rates from April 1 for the entire state both on the land and on structures, but later granted stay from May 19 for a month on land in MMR after the realty sector players argued that the rise will badly hit the sector during the economic downturn. However, Liasis Foras feels that could have been more appropriate on the part of the government to completely withdraw the increase for the whole year and set the record in right direction

HC vacates stay on raising FSI under cluster redevelopment project in Maharashtra

In a reprieve for the Maharashtra government, the Bombay High Court has vacated a stay granted on allowing increase in FAR for new buildings proposed to be constructed in Navi Mumbai under the state's cluster redevelopment scheme. In 2014, the state government proposed to increase FSI for buildings so as to allow private builders to redevelop slum clusters and dilapidated structures into towers, as high as 60 storeys. However, the proposal was stayed by the high court in September 2014 during the hearing of a PIL on the ground that the government had not conducted any impact assessment study

The government will now issue a fresh notification, which will pave the way re-development work for old and dilapidated buildings in Navi Mumbai with the help of private participation.

Maharashtra govt. approves cluster redevelopment in Thane city

State govt. of Maharashtra has approved the regulation for the reconstruction in Thane city by implementing the urban renewal scheme. In Thane, cluster redevelopment projects will get an FSI of 4, depending on the width of the road next to the project. To ensure the policy does not further crowd the region, the minimum size of a cluster will have to be 10,000Sq Meters, Builders will also have to develop public amenities on 25% of the plot, leave 15% for open spaces and implement development plan reservations.

Maharashtra government to revive stalled infra projects, bear Centre's share

The Maharashtra government will release additional grants from its kitty to revive 18 stalled urban infrastructure projects. The projects in question were funded under the erstwhile Jawaharlal Nehru National Urban Renewal Mission (JNNURM) but had failed to make 50% or more required to keep continuing receiving funding under newly launched Atal Mission for Rejuvenation and Urban Transformation (AMRUT).

State Govt. plans to spend Rs 843 Crore on these stalled projects, of which Rs 472 Crore would be spent alone on 24x7 water supply project in Nagpur, the Chief Minister's home district. The government funds would be released in three instalments.

OTHER CITIES

BENGALURU

New metro stretch inaugurated in Bengaluru

The first phase of Bengaluru Metro marked its completion in June as final leg of remaining 11.3km stretch on 'Metro Green Line' has been inaugurated in Bengaluru. The stretch connects Mantri Square Sampige Road to Yelachenahalli and consists of 10 metro stations and will provide connectivity between North and South Bengaluru. With the commissioning of 11.3km stretch, Bangalore Metro Rail Project, also known as 'Namma Metro', has a track length of 42.3km with 40 stations in 2 corridors, namely East-West and North-South Corridor for Phase-I.

The East-West corridor has 18.1 km and 17 stations, while the North-South corridor has 24.2 Km and 24 stations. Phase-2 of 'Namma Metro' is already under implementation and would add another 72 km to the existing 42 km of Phase-1.



New apartments with 20 or more units must have STPs

Making an important clarification, mandatory installation of STP in apartments with 20 units is only for buildings that have come up after February 2016, when the rule was introduced by Bangalore Water Supply and Sewerage Board (BWSSB). As per the official statement, the existing rules mandate that buildings with 50 apartments, commercial space of 2,000sqft and educational institutions of 10,000sqft have to set up STPs. The strain on the underground drainage system (UGD) from new apartments, commercial complexes and education institutions cannot be ignored. Hence, the rules have been amended to make new ventures install STPs. As an incentive to old apartment blocks and educational institutions, the state govt will consider a 30% rebate on the sewage cess levied if they decide to set up STPs.

KOCHI

Kochi announces itself on India's metro map, Phase-I inaugurated

After prolonged wait due to political reasons, finally, 13km long Kochi metro phase-I, connecting Aluva and Palarivattom has been inaugurated. There are 11 stations in the 13-km stretch that will be covered in 20 minutes. Later, it will be extended to Maharajas College. It is also the county's first fully integrated metro. With one ticket, a commuter can travel in feeder services along road and water. Beside, it has been commissioned in a record time of 45 months as compared to other metro services – Mumbai (75 Months to finish its first 11-km run), Chennai (72 Months), Jaipur (56 Months for the first 9.02 km) amongst others

PUNE

80 housing projects in Pune face punitive action for flouting green norms

Maharashtra's environmental watchdog has filed criminal cases against the developers and owners of about 80 projects that allegedly flouted green norms to build sprawling complexes on the fringes of Pune. In the dock are projects run by Pune-based firms Marvel Realtors, Nyati Builders, Rahul Construction, Suyog Development Corporation and a local IT firm, Zensar Technologies. The cases are being heard, and those found guilty can be fined up to Rs 1 lakh or jailed up to five years, or both.

BHOPAL

Bhopal Development Authority to build 5,000 affordable houses in FY18

Bhopal Development Authority (BDA) will construct about 5,000 affordable houses in next fiscal at a cost of about Rs 200 Crore under PMAY. For this, already land has been identified in different pockets outside the city's limit. Beside, by 2018, the BDA plans to ensure possession to 12,500 plot owners in prestigious Aero city near airport. The remaining 1,800 plots of the project will be developed in next phase.

MYSURU

MUDA all set to sell 1,683 Sites in RT Nagar Layout

Mysuru Urban Development Authority (MUDA) has announced the provisional list of beneficiaries of sites developed at Rabindranath Tagore Nagar (RT Nagar) off Outer Ring Road in west Mysuru. The announcement is expected to skyrocket real estate prices in Mysuru. The layout, having 1,683 sites of different dimensions, was developed a decade ago. But the urban development body was unable to distribute the sites as the land acquisition was questioned in a court of law by land losers.

MACRO ECONOMIC TRENDS

RBI report sees India's economic growth rate at 7.3% in 2017-18

As per recent The Financial Stability Report 2017, released by RBI, the ongoing accelerated reform initiatives like GST and continuing political stability will push the economic growth scale to 7.3% in terms of gross value added (GVA) in the current fiscal year. The report bases its optimism to the lower fiscal deficit at 3.2% for this year down from 3.5% in 2016-17, increasing public capex and support to poorer households, small businesses and the rural sector, to oil the economy.

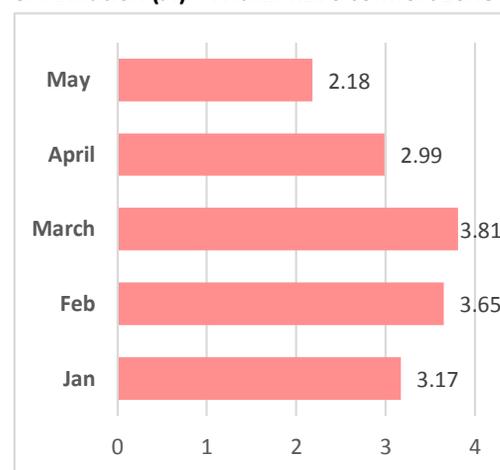
On inflation, the report projects CPI inflation to be in the range of 2-3.5% in the first half of the year and 3.5-4.5% in the second half, better than the projected earlier.

May retail inflation in India falls to 2.18% on lower food prices

As per the recent data released by CSO, Retail, or consumer price indexed (CPI), inflation in India during the month of May fell to 2.18%, as compared to 5.76% in the same month of last year, pulled down by sharp fall in food prices. The current inflation level is its lowest since the government began issuing data based on the CPI in 2012. Lower inflation rates have raised hopes the RBI may cut rates to boost the struggling industrial sector.

A more accommodative monetary policy with lower interest rate would stimulate consumer demand that would hedge any downside risk arising from exports. The manufacturing sector was sluggish with 2.6% growth. The mining and electricity sectors did better with 4.2% and 5.4% growth, respectively. The outlook is not particularly bright going ahead with the incoming GST expected to cause some disruption

CPI Inflation (%) - Within RBI's comfort zone



Affordable housing loans rise 43% in FY17

During FY'17, as per industry estimates, overall housing loans grew by 23% while home loans above Rs 25 Lakh saw a marginal decline of 1%. In comparison, the affordable housing segment is booming and loans below Rs 10 Lakh have surged 43% in the last fiscal. The rise in utilisation of Rural Housing Fund and Urban Housing Fund is expected to further bolster the trend.

Further, NHB has received Rs 9,000 Crore under rural and urban housing fund from RBI, which will go towards building affordable housing. Till date NHB has built 18.48 Lakh houses in rural areas of Rs 29,000 Crore and 1.86 lakh houses in urban area of Rs 7,700 Crore.

Manufacturing growth falls to 4 month low in June on weak demand

As per a private business survey, activity in India's manufacturing sector eased to a four-month low in June amid a slowdown in output and new orders as softer domestic consumption partly offset strong foreign demand. The Nikkei India Manufacturing Purchasing Managers' Index, compiled by IHS Markit, fell to 50.9 in June from 51.6 in May, but still held above the 50 level that separates growth from contraction for a sixth straight month.

Manufacturing growth slowed last month largely as domestic consumption cooled even as external demand remained solid. The new orders sub-index - which takes into account both domestic as well as foreign demand - declined to 51.3, the lowest level since February, from 52.6 in May

INVESTMENT ACTIVITY

Private Equity Investments

Investor(s)	Target	Stake (%)	Amount (Rs Crore)	Business	Strategy
Motilal Oswal Real Estate	Incor Group –PBEL City	NA	60.0	Real Estate Development	Project Level
Anuj Puri (Individual)	PE Business – JLL India	100.0	461.0	Private Equity Investing	Late
Undisclosed PE	RG Group	NA	170.0	Real Estate Development	Growth
Samsara Capital	BL Kashyap	4.4	33.7	Real Estate Development	PIPE
Piramal Finance Fund	Mahagun India Ltd	NA	325.0	Real Estate Development	Structured Debt

Source: Liases Foras Research

Land/Development Rights Transactions

Buyer	Seller	Location	Deal Value (Crore)	Strategy
Undisclosed	Unitech Ltd	Chennai, Gurgaon & Hyderabad	260.0	Generate Cash flow to complete ongoing projects

Source: Liases Foras Research

Key Trends/Activities:

SMC & IM Capitals launches realty fund for mid-segment affordable housing

SMC Global, a diversified financial services company with over \$500 million of assets launched its maiden \$75 million fund exclusively for the Indian real estate market with a green shoe option of up to \$75 million. The fund would have the mandate of investing in the affordable housing projects that have all requisite approvals. The fund will also concentrate on investing against under-construction residential and commercial units at deep discounts and generate a fixed interest coupon. The fund will be investing in projects where apartment sale price matches the buying rationale of such end users.

Ascendas-Singbridge to float fund for commercial assets

Singapore-based office space solutions provider Ascendas-Singbridge Group is planning to raise a commercial real estate-focused fund with a target corpus of \$300 million. Capital will be raised mostly from third-party institutional investors, while the company will also contribute towards it. The fund seeks to make investments in projects where the land has already been acquired or have all the approvals in place.

The firm currently manages \$575 million across 2 funds focused on the Indian real estate market.

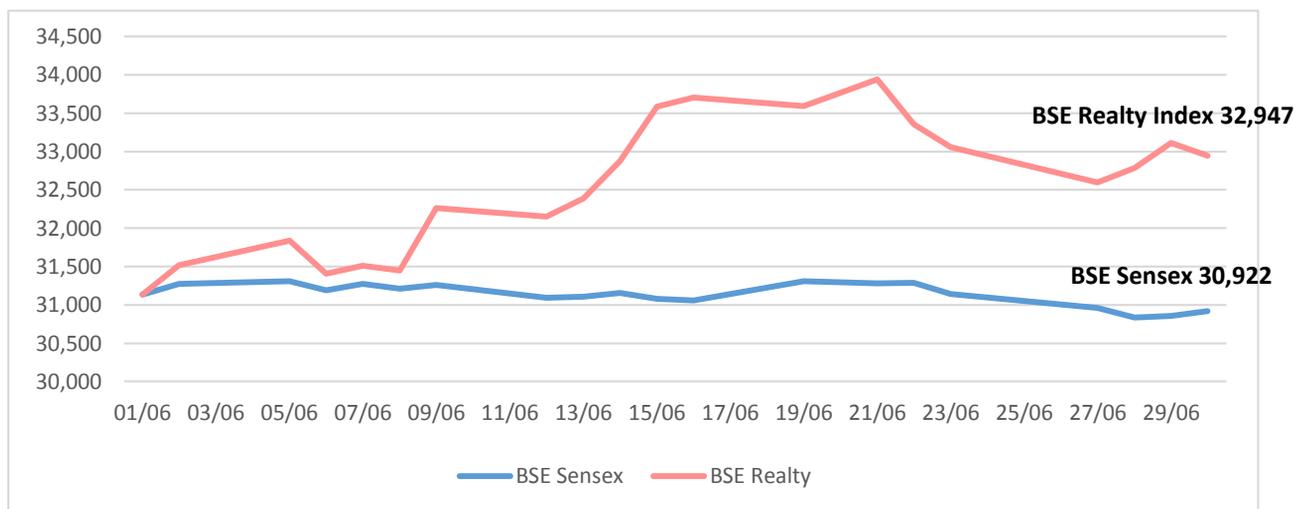
Kotak Investment Advisors to raise \$100 million for affordable housing projects

Kotak Realty Fund, part of Kotak Mahindra Bank's subsidiary Kotak Investment Advisors (KIAL), is raising a total of \$100 million to invest in affordable housing projects across the country. The fund, which will be raised in domestic as well as overseas markets, has already received commitments worth \$50 million or Rs 321 Crore from few global institutional investors. The balance amount of money will be raised from domestic markets and the fund raising is expected to be concluded soon.

The affordable housing focussed fund will be investing in projects in peripheral areas of the top-10 property markets of the country including MMR, NCR, Bengaluru, Pune and Hyderabad. Through this fund, Kotak Realty is planning to invest in affordable housing projects that would offer homes priced in the range of Rs 30 Lakh to Rs 75 Lakh.

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 June, BSE Realty Index clocked a growth (mom) of 5.8% - Comfortably outpacing BSE Sensex Index growth of -0.7% during the corresponding period.
- Clarity over GST rates, progress on RERA and positive news about specific constituents companies have propelled the BSE realty index during the month of June.



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

 <p>Ressex Ressex, our online data interface, provides structured solutions to day-to-day questions pertaining to real estate markets and projects.</p>	 <p>Comparables Comparables is a first of its kind, web based property value validation tool.</p>	 <p>Developer's Rating Extensive analysis of on-ground performance of more than 9000 developers across 62 cities in India.</p>	 <p>Business Intelligence and Risk Analytics With our razor-sharp analytics, we help banks, HFCs and corporates to identify the potential opportunity and underlying risks.</p>	 <p>Crystal Crystal is a valuation workflow system which streamlines the interaction between lenders, valutors, and surveyors in carrying out valuations using automation and mobile devices.</p>
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ADVISORY SERVICES

 <p>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.</p>	 <p>Valuation advisory Liases Foras offers transparent, scientific, data-driven and unbiased valuation solutions.</p>	 <p>Urban planning services We prepare City Development Plans outlining the vision and development strategy for unlocking land in a city.</p>	 <p>Preparing A design brief Extending beyond the best-use prognosis, we write uncluttered, contextual design briefs for Master Planners/Architects.</p>	 <p>Consumer survey & profiling We specialise in the field of real estate-specific consumer surveys.</p>
 <p>Product viability study This study is to ascertain whether the envisaged development and product plan of the developers are correct or risky.</p>	 <p>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.</p>	 <p>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.</p>	 <p>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.</p>	 <p>Marketing Strategy Partnering with the developer to formulate a marketing plan keeping in mind the target audience, positioning, product and pricing.</p>

