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Year of hope - Season for investments setting in



Delhi/NCR

Experts say that Year 2017 will offer better opportunities for the real estate sector, as well as the economy as a whole, with the country finally shrugging off the prolonged state of policy paralysis through the aggressive policy reforms put in place by the central government.

Compared to last year, the real estate sector is expected to perform better this year, riding on the back of a string of regulatory reforms put in place by the central government in 2016.

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However, for kick-starting the sector, and the economy as a whole, stakeholders expect a lot more from the government, in the immediate future, by way of relief to every single one of them--from developers and corporates to investors and customers.

Regulatory reforms like the Real Estate (Regulation and Development) Act, 2016, the Benami Transactions (Prohibition) Amendment Act, 2016, Real Estate Investment Trust (REITS), the Goods and Services Tax (GST), etc, are expected to be long-term packages for industrial growth, ease of business, and all round transparency in every aspect of the Indian economy. These regulations coupled with low-inflation proposals like interest subsidy for first-time homebuyers and reduction in the overall interest rates may pretty well alter the very contours of the real estate sector in 2017.

The recent demonetization drive will benefit the affordable housing segment, rather than the luxury housing segment, as affordable housing caters to a category of people who are dependent on home loans for their transactions. The fall in interest rates would add on to the growth of the affordable housing segment further, which would be visible more over the longer term.

Umbrella real estate federations like Credai and Naredco have for long demanded lower housing and project-loan interests to stimulate the sector. They suggested that the government should bring housing loan interest rates between 7% and 8% and project loan interest rates between 10% and 12%, along with a moratorium on repayment of the principal amount for all pending and new loans, for three years, to rescue developers struck with delayed or stalled projects. This will help revive the sector and mitigate the hardships faced by customers and developers, they say.

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Praveen Jain, president of Naredco, says: "Granting infrastructure status to the real estate sector will attract large, established firms to the sector and inculcate corporate discipline. For the sake of convenience and uniformity in law, the 'built-up area' in the Income Tax Act should be replaced by the 'carpet area' as defined in the Real Estate (Regulation and Development) Act 2016."

Pradeep Aggarwal, co-founder and chairman of Signature Global Group, says: "As the government is set to implement the Goods and Services Tax across the country, real estate firms have suggested that the sector should be brought under its purview by merging all taxes, duties, charges, cess, etc, through land-use conversion charges (agriculture to non-agriculture and from one land use to another land use), development charges, and subsequent possession-related charges (stamp duty, transfer duty, VAT, Service Tax etc)."

Suresh Garg, MD of Nirala World and secretary of Credai, Western UP, said: "To augment construction of rental housing, Credai has suggested to the government that the deduction from rental income under Section 24(a) be increased from 30% to 100%, which would improve the effective rate of return (ROR) from rentals, at least till 2022, the target year for meeting the 'Housing for All' mission. This will help in promoting rental housing, too."

Ssumit Berry, MD of BDI Group, says: "Once RERA and GST come into force later this year, builders will have more opportunities for investing in the sector. Fall in interest rates would be an added incentive for developers to invest in the affordable housing segment."

Rahul Singla, director of MAPSKO, says: "Falling inflation and improving regulatory environment, coupled with schemes like 100 Smart Cities, AMRUT, and Housing for all by 2022, are beginning to have a positive influence on the sector." Vineet Taing, president of Vatika Business Centre, says: "As far as demonetization is concerned, short-term pain is inevitable when we look for an eventual, long-term cure for the malaise of black money in the sector."