

SQUARE YARDS

THE GLOBAL INDIAN FRATERNITY NEW LOCOMOTIVE OF INDIAN REAL ESTATE

**A COMPREHENSIVE REPORT BY
SQUARE YARDS ON RISING NRI INVESTMENT
IN INDIAN REAL ESTATE**



Foreword: NRIs are the new locomotive of Indian Real Estate

The word Non-Residential Indians (NRI) collectively connotes to the Indian passport holders living abroad as well as Person of Indian Origin (PIO). PIO are foreign passport holders who were either born in India or have Indian ancestry. The global population of the NRI community is around 30 million making it roughly equivalent to the total population of Canada.

NRI not just represents sheer numbers but is also, financially an advanced community. Wherever they had their foothold, they have made a mark & played instrumental role in the development of local economies. Ironically, till sometime back their economic engagement with their own country of origin was perfunctory, largely because of absence of any suitable common platform.

The 1st global convention of NRIs took place 1989 after the ouster of the Indian community government in Fiji in 1987. The convention was primarily political in nature & discussed human right violation witnessed by various Indian communities across the globe & possible precautionary steps that can be undertaken in the times to come.

However, in the recent times, there has been a major shift in the way, the NRI community engages with India. Today the community constitutes, one of the significant source of foreign capital inflow coming to India. Along with other sectors, NRI investment in the Indian primary residential market has also aggressively moved up the curve. A landmark year of NRI investment in Indian realty was 2014, when the investment in primary residential sector in top 8 major metros increased notably.

This tectonic shift was attributed to the coming of Modi government in the Center. It is believed that the new change



In 2017, the total NRI investment in primary Indian real estate in top 8 major cities is expected to reach around USD 11.5 billion. This will represent 20% of the total market share, that is presently estimated at USD 60 billion.

Kanika Gupta Shori
COO & Co- Founder,
Square Yards

in government has infused new sense of confidence about the prospects of Indian economy.

By year end in 2016, the total investment by the NRI community in primary residential markets of top 8 major Indian cities have reached USD 9.6 billion. In 2017, as per the study conducted by Square Yards' research team, the total NRI investment in primary Indian real estate in top 8 major cities are expected to reach around USD 11.5 billion. This will represent 20% of the total market share, that is presently estimated at USD 60 billion.

Despite being one of the principal pillars of modern Indian real estate, there is a dearth of data & research capturing the investment trends of NRI in India. As a prominent real estate advisory that has unparalleled stronghold in the NRI space at Square Yards, we thought to take the initiative & compile a comprehensive report to underscore major investment themes in the NRI space.

The report can educate readers about the various aspects of NRI investment in Primary India real estate. The report should be helpful to discerning NRI investors, real estate developers, financial analysts & business consultants to learn more on this evolving yet a very significant subject.

- In 2017, the total investment by the NRI community in the primary residential markets of top 8 major Indian cities is expected to reach USD 11.5 billion.
- Over 20% of NRI investment in Indian real estate comes from UAE, followed by USA & KSA.
- In the times to come, new technological tools such as google apps, virtual & augmented realities will increasingly play a major role in bridging the geographical gap & help NRIs know more about properties in India, omitting the necessity of a physical presence.
- The demonetization drive & implementation of RERA will add more confidence to the ongoing investment by NRI in Indian real estate.

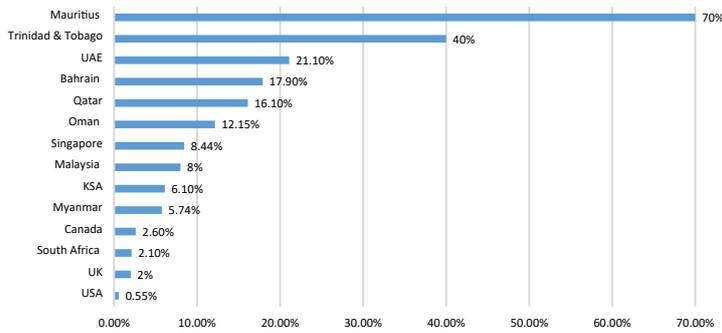
NRI Community-Facts & Figure

The NRI community constitutes a sizeable amount of population in various parts of the world including, North America, Africa, Europe, Middle East, Asia Pacific

& Australia etc. As per estimates, all over the world, NRI constitutes a total population of near around 30 million- making it equivalent to the total population of

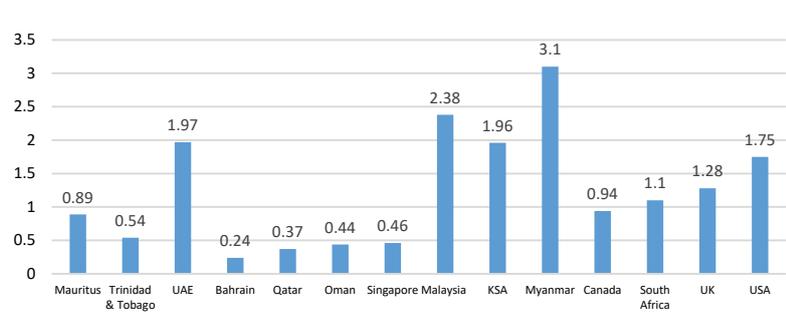
Canada. In some countries such as Mauritius, it is even the majority community comprising of near around 70% of the total population.

Indian Diaspora as Percentage of Total Population



Source: Non-Residents Indians Online

NRI Population in Million



Source: Country Websites

Collectively, the NRI community not just corresponds to a big volume, but they also represent a key economic enabler. Across the globe, ranks of NRIs include highly successful businessmen, venture capitalists, politicians, scientists, technocrats & corporate honchos. With the advent of new technologies & innovations during the 90s & 2000s, the global NRI community made further advancements, both economically & professionally.

The community has been repeatedly touted for playing crucial role in economic development of various countries such as USA, Canada & African nations- contributing in numerous ways such as human capital, trade & investment. Ironically, there engagements with India was limited till 20 years back. This, was mainly due to a lack of institutional framework & suitable platforms to foster meaningful engagement between India & its diaspora community.

Likewise, even association amongst themselves was limited when looked upon from cross border perspectives. In fact, the 1st global convention of NRI was aftermath of political crisis in Fiji, when the Indian community government was ousted in 1987. The convention that took place in New York discussed human right violation

witnessed by various Indian community across the globe & possible precautionary steps, that could be taken.

By 2000, the total financial strength of the NRI community was estimated at USD 400 billion, but their investment in India stood at a miniscule amount of just USD 200 million. Despite a strong emotional connect with India, that the community is known for; the disillusionment of the community was probably due to apparent political lethargy on part of Indian government.

However, under the patronage of AB Vajpayee government in 2002-03, prudent steps were taken in the form of Pravasi Bhartiya Diwas to mark the contribution of the NRI community towards the development of India. Since then, every year on 9th January, the Pravasi Bhartiya Diwas is organized.

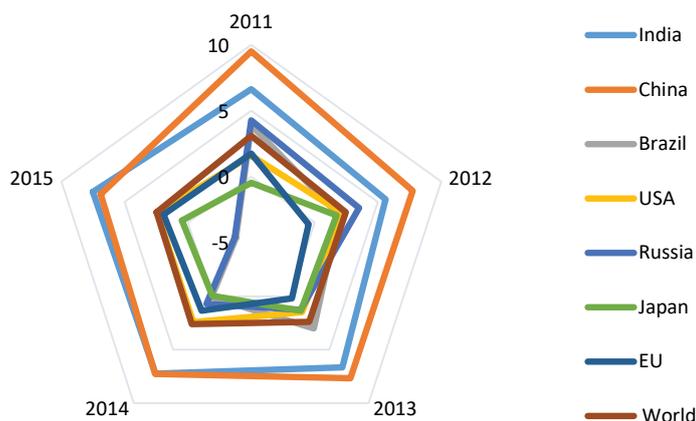
Host of other steps were also taken to reach out to the diaspora that eventually reversed the equation between the community & the country. Today NRIs are major contributors of international capital inflow into Indian economy. The trend has further gained momentum in the recent times, when amidst global economic slowdown India remained insulated & continued

clocking impressive GDP growth numbers. It is estimated that in 2015, the total NRI investment in Indian economy has been in tune of USD 29 billion, a stark contrast from just USD 200 million in 2000. The nature of engagement is not just limited to finance & business but includes numerous other dimensions such as social welfare, technological transfer, education & much more.

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Uncertain economies in various developed countries along with shrinking job markets are compelling NRI community to scout for more secured markets that can guarantee better yields. With India being one of the fastest economies across the globe & its economic performance outshining other major economies in the world in the recent times, investing in India becomes the natural choice for the community to increase wealth & mitigate risk.

GDP Growth % 2011-2015



Source: World Bank Economic Data

NRI Investment in Indian Real Estate

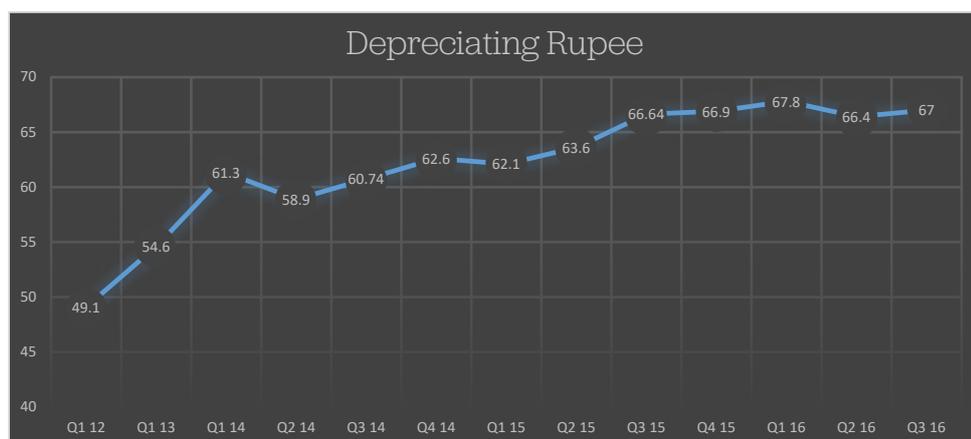
NRIs have multiple avenues to make investment in India including fixed deposits, equities, mutual funds, real estate, government bonds & much more. Out of the various investment opportunities, real estate holds its own unique place, as home ownership amongst Indian community is often associated with tremendous amount of emotion & prestige. Besides, owning a house back at India also ensures a safe abode for many NRIs who have eventual plans to settle down in India in their post retirement days.

Increasingly, purchasing real estate assets are also part of prudent investment planning. In addition to capital appreciation, investors can also reap benefits of rental returns from real estate projects, that further adds to the net yields. As real estate investments are made across a bigger time horizon, it also hedges risks emanating out of economic uncertainties & currency fluctuation.

Additionally, it is relatively easier for NRIs to invest in real estate in comparison to other asset class such as equities &

mutual funds that are sometimes subject to policy restriction. NRIs can invest only into certain number of stocks & that to the value cannot exceed beyond the 10% of the paid-up capital of the company. Similar restrictions are applicable in some MFs as well. NRIs from Canada & USA are not allowed to invest in few MFs.

Contrary to this, investing in real estate by NRI is simple. NRIs can invest into almost all kinds of real estate asset but farmhouses & agricultural lands.



Source: World Bank Economic Data

A depreciating INR against the dollar (& other currencies) have added further impetus to the rise of momentum of NRI investment into the Indian real estate.

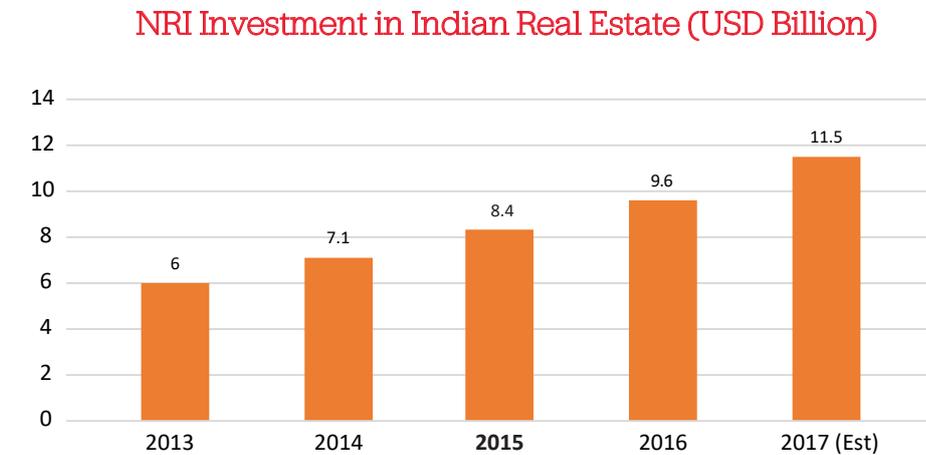
Market Size of NRI Investment in Indian Real Estate

The total NRI Investment in Indian real estate investment is estimated at around USD 11.5 billion in 2017. Although NRIs have been one of the crucial component of the Indian real estate industry since some time, the trend has picked up further in 2014, when there was a change in Central government in India. The coming of Modi government has been a significant boost to the confidence level of the discerning NRI investors.

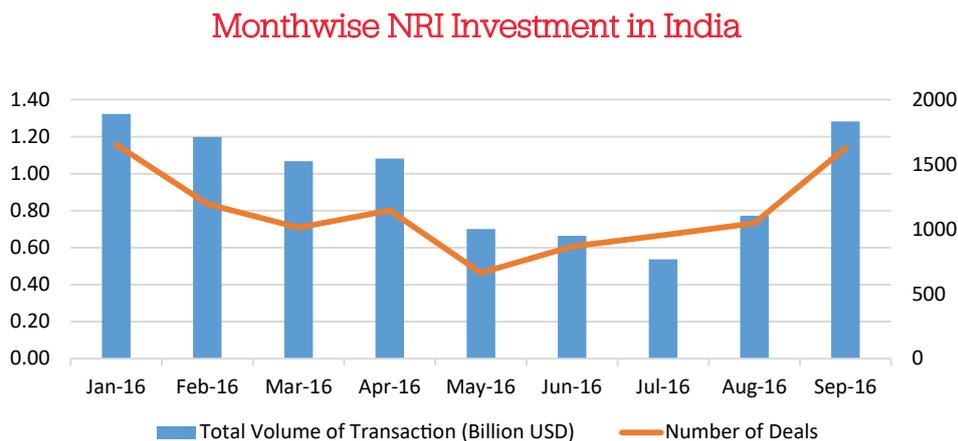
In terms of Month-on-Month (M-o-M) investments, large volume could be observed in the 1st two months. This is largely because as there are vacations in Europe & North Africa during November & December, many NRIs prefer visiting India during this time. This is also the time when they prefer site visits. Once back, they finally zero down on making the final purchase. Hence both transaction volume & value are higher during January & February as shown in the graph.

In Q2, apparently, there is a slowdown in the momentum. The moderation could be explained based on summer months & monsoon season wherein real estate investments in India gradually tapers down. In Q3, the value & volume of investments got an uptick with a Q-o-Q rise of 6.1%.

The ticket size or the Gross Transaction Value (GTV) of the deal has varied from USD 0.56 to 1.06 million over the time span of nine months. The relatively higher value of the GTV in the month of March &



Source: Square Yards Global Intelligence Cell (GIC)



Source: Square Yards Global Intelligence Cell

would have pushed up the GTV.

Over 20% of NRI investment in Indian real estate comes from UAE. The reasons attributed for large involvement of UAE based investors into the Indian real estate is multifold. UAE is geographically very close to India & both the nations share

strong trade tie-ups. In fact, Indian investment in UAE is also very extensive, with the Indian community being the biggest international investor fraternity in the Dubai & Abu Dhabi real estate industry.

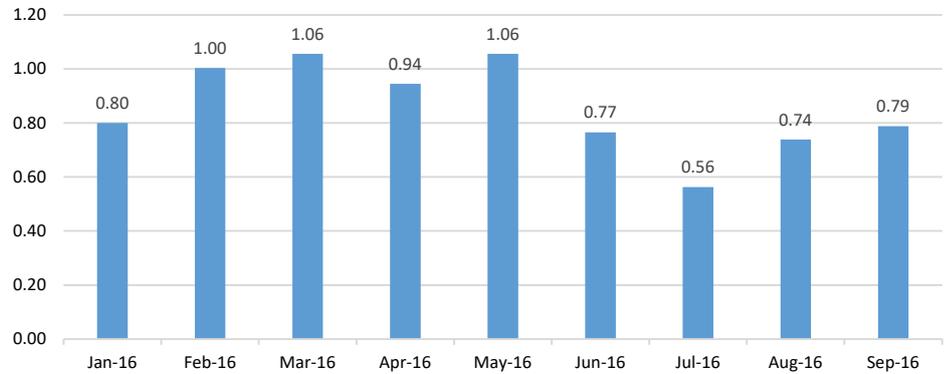
The ticket size or the Gross Transaction Value (GTV) of the deal has varied from USD 0.56 to 1.06 million over the time span of nine months. The relatively higher value of the GTV in the month of March & May could be explained on the basis relatively smaller numbers of deals, that would have pushed up the GTV.

Understanding the huge potential that UAE with over 2 million plus expatriate offers Indian developers & marketing agencies keep the gulf nation high up on their agenda. Almost all the major India based developer & marketing advisories have ground presence in UAE. Cities in UAE, such as Dubai, Abu Dhabi & Sharjah constantly feature in the global launch of Indian real estate projects.

UAE is followed by other major NRI populated countries such as USA & KSA. Other countries such as Canada, UK, Singapore & Australia are also source of substantial NRI capital inflow in Indian realty.

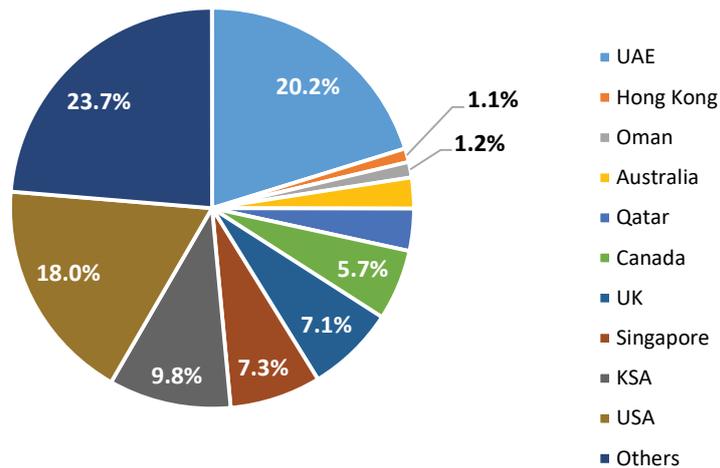
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GTV per Deal in USD Million



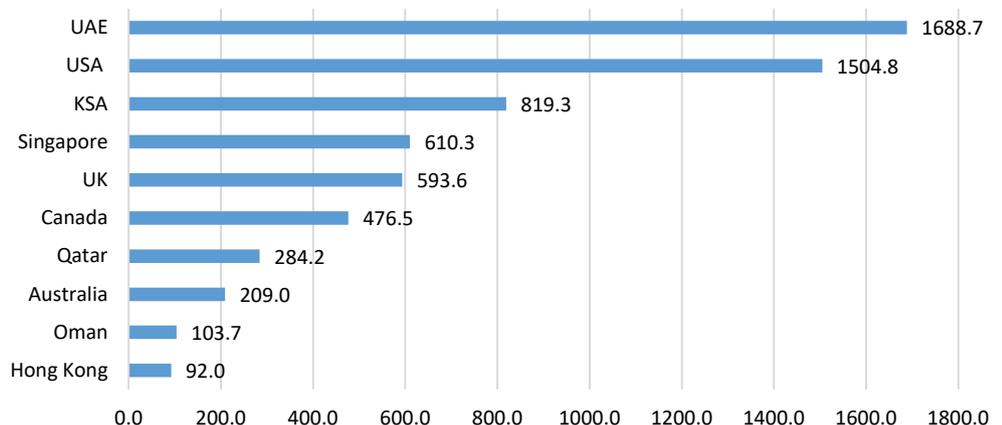
Source: Square Yards GIC

Countrywise Break



Source: Square Yards GIC

NRI Investment in Indian Real Estate (USD Million)



Source: Square Yards GIC (Data available for 1st nine months)

Future of NRI Investment in Indian Real Estate

In 2017 & subsequent years, NRI investment will continue to be one of the major themes of investment in the Indian real estate industry, with the percentage of NRI capital expected to hover northwards of 20% of the total investment in prime residential deals.

The major factors defining NRI investment would be both an emotional connect to own a home in one's home country as well opportunities to make better yields. With the expected rise of Indian influence on global politics & geostrategies, this trend is expected to get further push.

The rising significance of NRI will be realized in bigger volumes by the Indian developers & marketing agencies. Increasingly, more funds will be channelized towards marketing projects internationally to the Indian expatriates. This will eventually invigorate more NRI investment in Indian real estate.

New technological tools such as google apps, virtual & augmented realities will increasingly play a major role in bridging the geographical gap & help NRIs know more about properties in India, omitting the necessity of a physical presence.

On the back of unprecedented internet adoption, digital media is actively playing a very significant role in the entire property purchase lifecycle. The role of the web is not just restricted to search & discovery but is also enabling buyers to identify, book & purchase properties. Latest technologies such as 3-D Architectural renderings & virtual realities are helping users visualize an entire property on the web itself without any necessity of making iterative physical visits. This is further strengthened with the application of real time inventory management & fully secured e-commerce transaction platforms that help users make final

booking.

The present decision of demonetization by the government will go a long way in instilling more confidence in the NRI investor base. Along with financial return objectives, real estate investments, like any other investment, is also influenced by wider underlying sentiments & perceptions.

In this regard, the demonetization along with other significant government initiatives such as Real Estate Regulatory Act (RERA) testifies government's commitment towards nurturing more transparent & well-regulated real estate industry. RERA, that is expected to be fully operational by April next year, stipulates that every developer should complete their projects within the promised time frame.

A non-adherence to the promised time-frame will result into punitive actions in the form of heavy fines. Likewise, developers should make escrow account for

every development & payments received from a project needs to be put into that account itself. The use of escrow account will deter developers from using receivables from one project into other- a wide spread malpractice that has resulted into numerous financial mismanagement in the past.

The demonetization drive by the government in conjunction with RERA can entail tremendous positive impact on Indian real estate. It will enable Indian real estate to usher in an era of unparalleled transparency & attract domestic & international institutional investment.

This in turn will give exponential buoyancy to the ongoing NRI investment trends. An evolving industry, upping its ante on the transparency parameter. An increasingly institutionalized landscape & rising focus by developers on better corporate governance will act as a natural pull for NRI investors towards Indian realty.



SQUARE YARDS

IN
NUMBERS

22+ cities

Direct distribution reach

10+

countries presence across

\$1 Bn+

Worth of property sold

15000+

Broker enrolled as channel partners

700,000+

Monthly website visitors

\$25 Mn+

Annual revenue run rate

EBIDTA

Positive business

8500+

Happy customers

1100+

Employees

500+

Developer clients

SERVICES BY SQUAREYARDS



Property Identification

Personalized Need based Research, Site Visits & Locality Trips, Developer Due Diligence, Options Evaluation



Transaction Support

Best Inventory Selection, Pricing Negotiation with the Developer, Legal & Property Registration Support



Financial Support

Home Loan Facilitation, Mortgage Options Evaluation, Loan Advisory, Taxation Support



Dedicated Relationship Manager

Proactive Construction & Pricing Updates, Payments Handling, Logistics & Concierge Services



Property Life-cycle Services

Resale Assistance, Home Furnishing, Repair & Maintenance, Property Management Services



Portfolio Structuring

Real Estate Portfolio Tracking, Research Backed & Analytics Driven Recommendations across Global Markets

OUR GROUP BRANDS



Square Capital

Third largest loan and mortgage aggregator in India



Bling Marketing

Our Group Asia's largest digital marketing agency focused on real estate



Square Connect

India's one of the largest broker aggregation platform



Square Care

An upcoming property management platform

Developer Relationships

500+ Grade A Global Developer Relationships



Structured Sourcing & Exclusive Mandates

Scales Ensure Structuring Ability



Integrated township from Artha (Times Group Co). Achieved sale of 1500+ units in last six months



Exclusive mandate in 9 countries. Sold inventory worth Rs. 100cr in a month



Exclusive International mandate for India launch. Highest share of sales in International markets



Premium commercial space across 3 Indian cities. Collectively sold 2.2 Lakhs Sq Feet

Multiple Distribution Channels

Enablers for Exponential Growth

IndiaPrimary

Largest in industry: 10+ cities, 400+ strong sales force

NRI Sales

Largest in industry: 9 countries, 120+ strong sales force

Broker Aggregation

15000+ Brokers empaneled

International Projects Team

Gateway to India for International developers

Most Comprehensive Service Portfolio

Adds Value to Developers & Clients



RE Transaction Advisory



Mortgage Facilitation



360° Developer Marketing



AR & VR Applications

Best in class Tech Platform with globally unmatched Data & Analytics Capabilities

Squareyards.com



Monthly Visitors
7,00,000

Page Views
1.2 Mn

Avg. Time Spent
3.5 min

Leads per month
>75,000



Micro-market Research

Real estate landscape of a city overlaid by price per sq. ft. heat-maps and price trends

Recommendations

World's first - scored list of projects & units that best fit your needs

Size v/s Price

Check what your money can buy in an interactive price vs size scatter plot

Pushing the boundaries in Real Estate E-Commerce & Tech innovations



E commerce Booking Engine



3D Render & virtual walkthroughs



Augmented and Virtual reality



Gamification

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