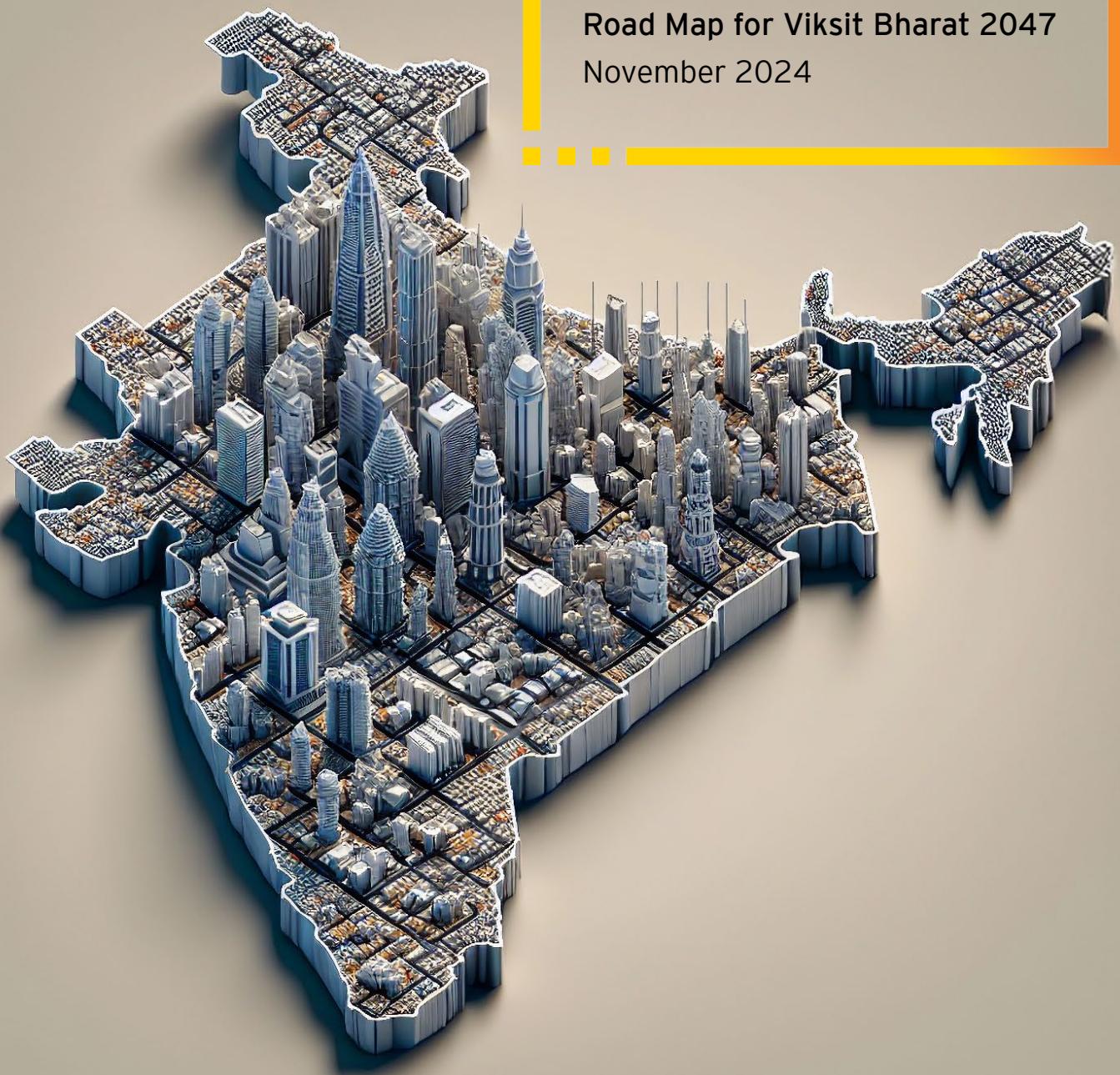


Real Estate @2047

Road Map for Viksit Bharat 2047

November 2024



The better the question.
The better the answer.
The better the world works.

CREDAI

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Foreword

India approaches a new era of progress and development, the vision of building a Viksit Bharat calls for the real estate industry to play a pivotal role in fostering a prosperous, sustainable and inclusive future.

Towards this I am happy to present this white paper developed by CREDAI & EY jointly, which serves as a comprehensive guide to how and what are the milestones we must achieve to lay the foundation for our nation's future growth. This document delves into critical policies, reforms, and shifts in the real estate landscape, highlighting the transformational impact of key initiatives such as the introduction of the RERA Act, GST, and several other pivotal reforms. It addresses future pressing challenges such as urbanization, infrastructure development and the integration of technology while envisioning the adoption of international best practices.

The future of our industry will involve strategic partnerships - within the private sector, with the government and with international stakeholders. Such collaborations will be essential to building an inclusive, sustainable and future-ready Bharat.

CREDAI has long been the voice of developers, advocating policy reforms, championing sustainable development and driving industry best practices. Today, I am proud to state that our real estate industry has evolved to become more transparent, accountable and investor friendly - thanks to the adoption of progressive practices. As a confederation, we remain committed to guiding our members and shaping the future of real estate development through innovation, integrity and excellence.

I thank and congratulate each one of you for embarking on this path towards achieving our Hon. PM Narendra Modi Ji's vision of a Viksit Bharat. Let this white paper serve as a valuable resource, sparking meaningful discussions and strategies for building a nation equipped with world-class infrastructure, homes and a quality of life that sets a global benchmark.



Boman Irani
President,
CREDAI

As the country embarks on a journey towards India's centenary of independence, the real estate sector emerges as pivotal in shaping the nation's destiny/India's Economy. This report developed by CREDAI & EY jointly encapsulates the dynamism and potential of real estate that is integral to India's goal of achieving a US\$26t GDP by 2047. It is a narrative of growth, resilience, and foresight.

The real estate sector's contribution to the GDP reflects its importance in the economic fabric of the country. With organizations such as CREDAI leading the charge, the industry is witnessing a transformation fuelled by technological innovation and a series of government-led reforms. The push for affordable housing and the modernization of urban spaces are creating new opportunities and setting new benchmarks for development.

The rise of a new middle class and the acceleration of urbanization are driving the demand for residential and commercial real estate. Government programs such as PMAY, RERA, and GST are playing a crucial role in meeting these demands while ensuring transparency and accountability in real estate.

Infrastructure development is another key area where the real estate sector is making significant strides. The scaling up of aviation and maritime facilities, along with the expansion of road and rail networks, is set to revolutionize connectivity and boost property values. The vision of smart cities and the integration of AI in urban planning are indicative of India's dedication to building a future that is both sustainable and smart. One of the key themes would be to focus on brownfield integrated urbanization to accelerate growth in the larger urban agglomerations. This would have material impact much earlier and at lower government investment than greenfield urbanization. For instance, providing higher FSI and greater flexibility in land use in larger cities with certain synergistic interventions across multiple sectors would have a greater impact for economic growth sooner than new greenfield interventions or focusing on highly underdeveloped areas.

The innovative construction techniques and building management solutions that are setting new standards for the industry, with the focus on energy conservation is changing the landscape of construction. The integration of Property Technology (PropTech), Artificial Intelligence (AI), and the influx of private equity investments are not only streamlining operations but also capturing international interest and nurturing eco-friendly initiatives. The advent of 3D printing and pre-cast modules is not just a novelty but a step towards a more sustainable and efficient future.

In the realm of finance, the dynamic funding environment, characterized by private equity and structured finance, is poised to propel commercial lending to new heights. The rise of REITs and InvITs is transforming the investment landscape, making asset ownership more accessible and facilitating capital inflow to operational assets.

The Indian real estate sector is not just undergoing a period of change but is at the forefront of a revolution. It is a revolution marked by inclusivity, innovation, and a deep-seated commitment to environmental sustainability. By 2047, the real estate sector is expected to reach US\$4.8t as an industry and is determined to create a legacy of value that transcends the social, economic, and environmental realms.



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Executive summary

The journey over last 25 years

- The real estate (RE) sector has been contributing ~ 7-8% of GDP and providing employment to ~77m people in India which is approximately 14~15% of the workforce.
- In the last 25 years, the overall sector has grown exponentially with demand of more than ~6m graded residential developments, 750m sq. ft of Grade A commercial office and retail and over 350m sq. ft of warehousing space.
 - RE alternatives such as co-working/living, student/worker housing, data centers among others have evolved as the new growth avenues in the last decade
- Structured investments, regulatory reforms, urbanization and rising income levels have been the main levers of growth
- CREDAI which was established in 1999 and currently consists of ~13,000 developers across 230 city chapters has been instrumental in marketing, promotion, influence policy decisions, develop data analytics, promote affordable housing, support initiatives on sustainability and MSME's

The building Blocks of RE growth: Blueprint for 2047

- India's economy is expected to reach US\$26t by 2047-48, with an 8% annual growth and a sixfold increase in per capita income.
- There will be approximately 1 billion people in the middle class and 50% urbanization by 2047.
- The RE sector is poised for growth, driven by economic and demographic changes. The key building blocks would include:
 - Development of infrastructure, policy initiatives and simplification of taxation such as industry status to RE, focus on ESG and sustainability, integrating and increasing the role of technology, availability of vanilla and structured finance products and ease of doing business.

The importance of each building block is mentioned below:

■ Synergy of infrastructure and RE in India's growth

- India's infrastructure and real estate sectors are closely linked, with initiatives such as the National Infrastructure Pipeline (NIP) and PM Gati Shakti enhancing project planning and execution.
- The NIP aims for targeted investments of US\$1.4t over the next decade in transport, energy, communication and social infrastructure.



- The anticipated growth in Airports, Ports, Railway terminals, and Social Infrastructure is set to unlock real estate investment opportunities in adjacent areas.
- The development of Navi Mumbai and Noida International Airports has already accelerated real estate activities around these zones.
- Future greenfield airports and the redevelopment of existing ones are expected to catalyze the development of self-sustained urban areas, easing city congestion and fostering radial growth.

■ **Emergence of new cities: Catalysts for India's RE revolution**

- India's smart city initiative is revolutionizing urban development, focusing on creating cities that are both high-tech and eco-friendly.
- The rise of greenfield cities and new urban extensions is spurring a surge in property demand, offering lucrative real estate investment opportunities.
- One of the key themes would be to focus on brownfield integrated urbanization to accelerate growth in the larger urban agglomerations.
- Future smart cities are set to redefine urban living with their emphasis on efficiency, connectivity and sustainability, impacting the real estate landscape.
- Our analysis indicates that while major cities will continue to grow, they may encounter housing affordability challenges due to increased urbanization and infrastructure needs.
- Tier II & III cities such as Indore, Surat, Coimbatore, Bhubaneshwar, Jaipur, Chandigarh, Salem, Bhopal, Visakhapatnam and Agra amongst others are emerging as the new real estate investment hubs and are expected to grow fuelled by various factors such as development of infrastructure, government reforms, initiatives and demand.

■ **Technological advancements in RE**

- Technology has significantly streamlined real estate development and service models.
 - **Cutting-edge technologies like AI, ML, IoT and BIM are reshaping real estate practices.**
- The emergence of PropTech is crucial for improving the efficiency of property dealings.
 - **Building automation, ConTech, Home Automation and Integration of Technology in delivering essential municipal services are reshaping the way RE products are being developed, operated and serviced.**
- Based on EY estimation the current market penetration for ICT/PropTech based solutions in the RE sector is US\$10.5b which is less than 5% of the overall real estate market size. This is expected to increase to 12-13% by 2047.

Executive summary

■ Evolving RE financing in India

- Private equity and structured finance have witnessed increased penetration in funding of corporate real estate in the recent past.
- Almost 80% of construction finance still is derived from traditional sourcing of funding which demonstrates dependence on banks and NBFCs.
- Construction finance from banks is expected to grow at a CAGR of 10-12% in the near future.
- Private equity and related products have favoured the Grade A commercial office space sector in the recent past followed by industrial and warehousing.
 - In the future along with commercial office, alternatives, life sciences RE, data centres are expected to be areas of interest for investors.
- REITs and InvITs are opening up real estate and infrastructure investments to a wider range of investors, including retail.
 - In contrast with the US where 80% of listed real estate firms have REIT involvement, India's figure is below 5%.
 - With Indian REITs' market capitalization at just 1% of GDP, there is ample scope for expansion in the sector.

■ Taxation and growth in India's RE sector

- RE sector significantly boosts India's tax revenues and there is scope for simplifying and evaluation of various tax incidence being currently applied
 - Simplifying tax norms could prevent double taxation and improve GST compliance.
 - Making REITs more tax-attractive is crucial for investor interest.
 - The Government has considered simplification of tax codes, simplified valuation processes and established redressal forums in the recent past. However, there is room for further steps.

■ Ease of doing business reforms in RE sector

- India's leap in the World Bank's "Doing Business Index" reflects efforts to ease real estate regulations.
- Construction permits, property registration and contract enforcement are crucial for the sector's ranking.
- Reforms are in place, but land acquisition and judicial efficiency remain challenging.
- Real estate regulations require ongoing reform for improved investor and developer support.
- The State Business Reforms Action Plan targets state-specific enhancements in real estate practices.
- Embracing global best practices could boost India's business environment and investment appeal.



India's RE trajectory and economic outlook

- The real estate industry, with a current value of US\$300b, makes up 7% of India's GDP.
- India's GDP is anticipated to grow at an average of ~8% annually for the next 23 years.
- The real estate sector is on the brink of a hyper-growth phase, expected to continue with a 5-6% growth rate in the subsequent years.
- By 2047, the real estate market is projected to reach US\$4.8t, comprising approximately 18% of the predicted US\$26t GDP.

Key Suggestions

To realize the vision of "Viksit Bharat" by 2047, the government needs to focus on the following aspects:-

- **Availability of Land**- Ensure the availability of land through effective zoning and land acquisition policies, encourage planned satellite towns in proximity to major urban agglomerations
- **Development rules** - Simplify development regulations, implement fast-track approval systems and adopt transparent policies to encourage private-sector participation
- **Infrastructure** - focus on development of physical and social infrastructure in line with global standards and keeping sustainability practices at the forefront.
- **Development of cities** - focus on brownfield integrated urbanization to accelerate growth in the larger urban agglomerations. This would have material impact much earlier and at lower government investment than greenfield urbanization. For instance, providing higher FSI and greater flexibility in land use in larger cities with certain synergistic interventions across multiple sectors would have a greater impact for economic growth sooner than new greenfield interventions or focusing on highly underdeveloped areas.
- **Financing** – develop investor friendly models to support infrastructure development. The Government may assess the feasibility of implementing a housing finance guarantee scheme for affordable housing. Offering flexible FSI payment options and access to low-interest loans may also be evaluated
- **Taxes** – evaluate alignment of property taxes with real estate market values, using RERA carpet area as the basis. The Government may also evaluate minimizing land revenue and taxation to incentivize development and make housing affordable.
- **Environment and Sustainability** - Focus should be on environmentally friendly urban development practices, develop green spaces, enhance tree cover, and adopt sustainable urban planning to improve air quality and mitigate climate change. Further, implementing renewable energy solutions and energy-efficient building standards can also be evaluated.

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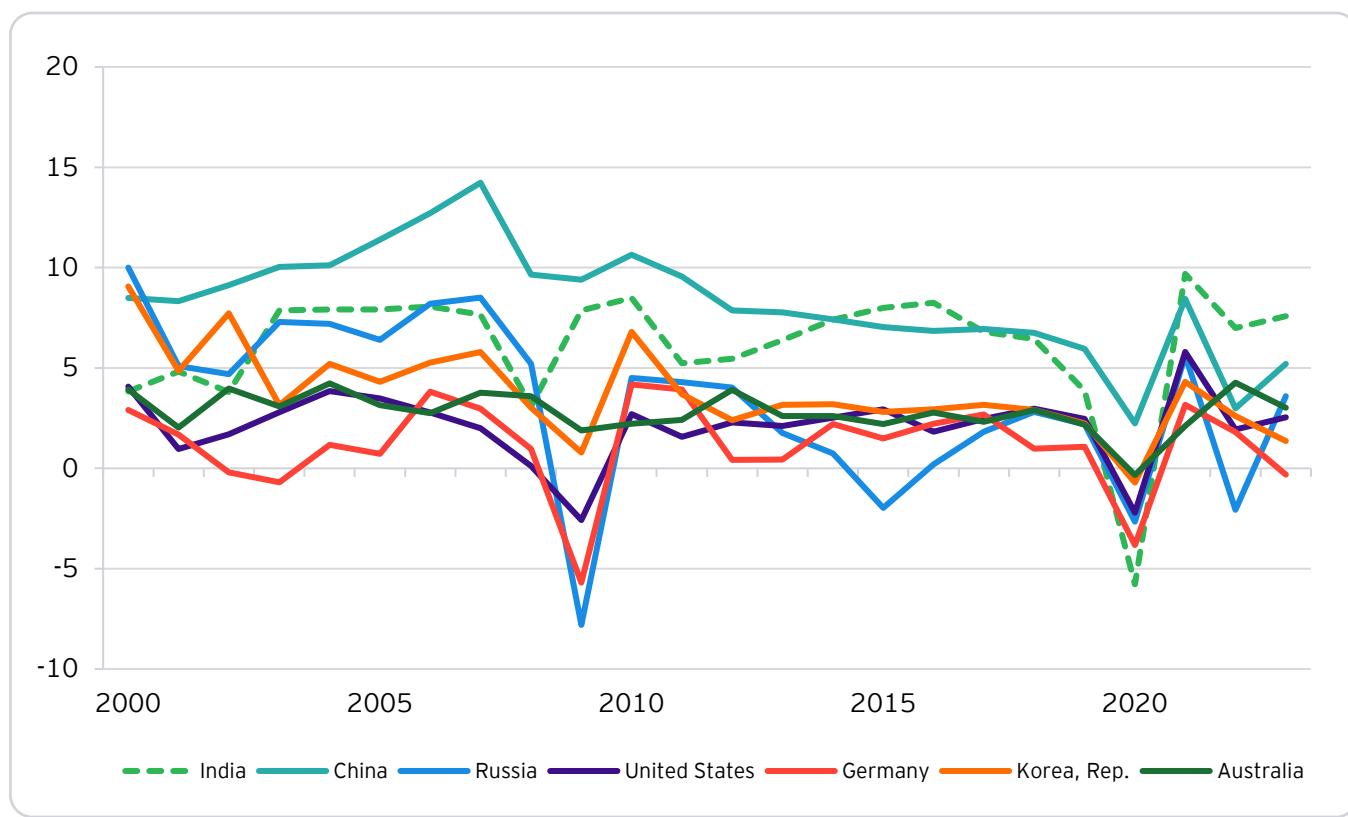
- 1** The journey over the last 25 years
- 2** The building blocks of real estate growth: Blueprint for 2047
- 3** Potential of Real Estate@2047

The journey over the last 25 years



India has grown at a faster pace compared to other G20 countries

India grew at an average rate of 6% over the last 2 decades, despite a global pandemic and a global economic crisis, to rise from the 13th position in 2000-01 to become the fifth largest economy in the world now. The graph below depicts India's growth compared to other G20 countries^[1].



Source: World Bank Statistics, 2023

[1] IMF's World Economic Outlook released in October 2022 and EY Research

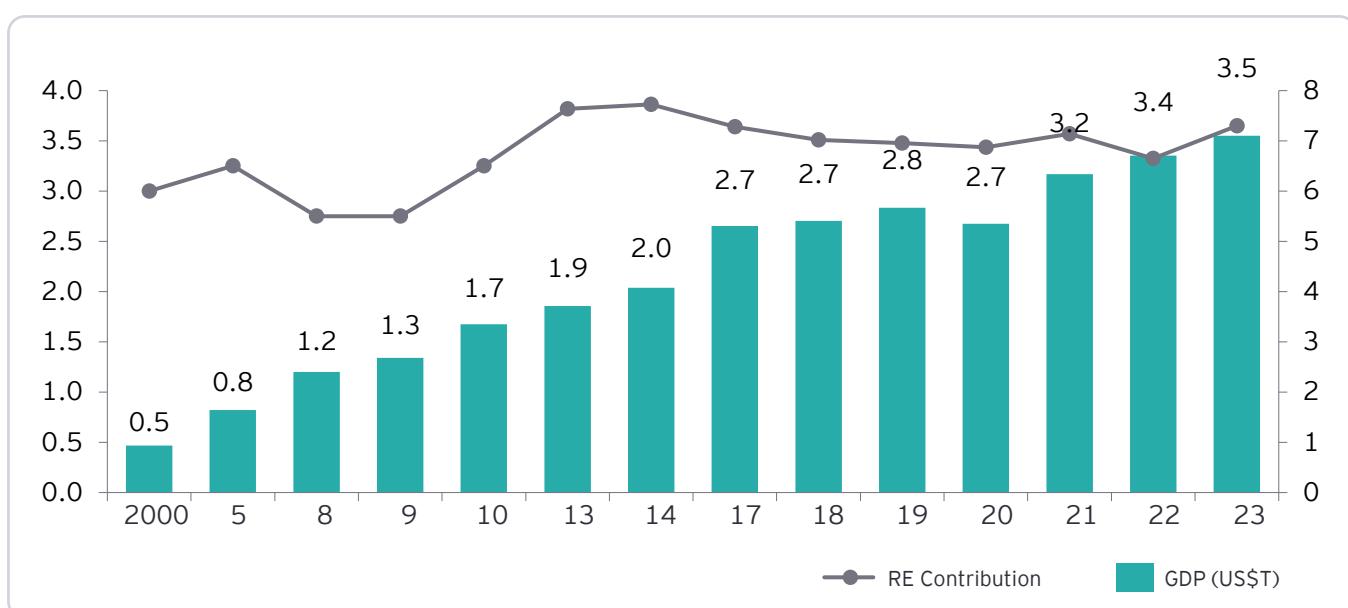
This provides the springboard for the forthcoming decades of the 21st Century. The growth of the Indian economy over the next 25 years would be dependent on the following factors:

- Growth-enabling multidimensional and multisectoral government initiatives
- Fast pace of technological progress encapsulating the tangible thrust on digitization
- significant scope for the Indian services sector including its exports
- Potential advantages emanating from the productive employment of India's burgeoning working age population

RE sector accounts for approximately 7% of India's overall GDP

The RE sector is the second largest employment provider and has linkages to over 250 sectors. The share of real estate in India's GDP has risen steadily and is around 7-8% currently^[2]. The sector has witnessed multiple structural reforms and market disruptions over the last 25 years. Prominent policy reforms such as FDI allowances, SEZ Act, Make in India, RERA, Demonetization, GST, Infrastructure status to affordable housing, REIT Regulations among others have shaped the sectors fortunes to be organized and consumer friendly.

The illustration below depicts the change in contribution of the RE sectors over the last 25 years.



Source: Ministry of Statistics and Programme Implementation

The sector has also weathered multiple market disruptions over the last 25 years but has always recovered stronger on account of heightened demand dynamics due to demographic dividend, commercialization, industrial demand and need for new and innovative real estate products.

[2] Economic Survey 2023-24, Gross Domestic Product by Economic Activity, RBI Data, MOSPI

Gross Value Added in Construction

Over the past two decades, the construction sector has exhibited a sustained growth, reflecting its increasing importance in the national economic development. The upward trajectory of the sector's economic output highlights the industry's expansion and its role in driving the economy forward.

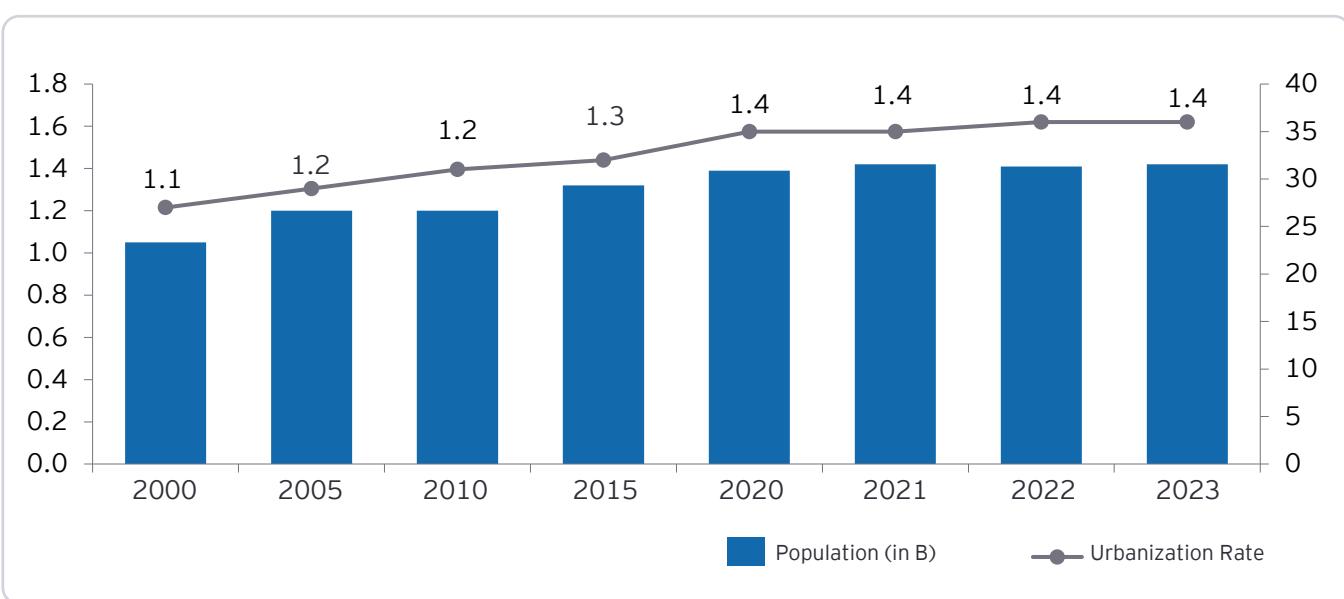
The illustration below depicts the trends in GVA in construction, since 2000:



Source: GVA at Basic Prices, RBI Data

Urbanization has been one of the key growth factors

India's population grew at 1.3% between 1999 and 2023 with a steady growth in urbanization at 2.3% CAGR during the same period^[3]. Boost in IT/ITES, globalization and industrialization contributed to urbanization growth. The diagram below depicts the key trends of urbanization in India



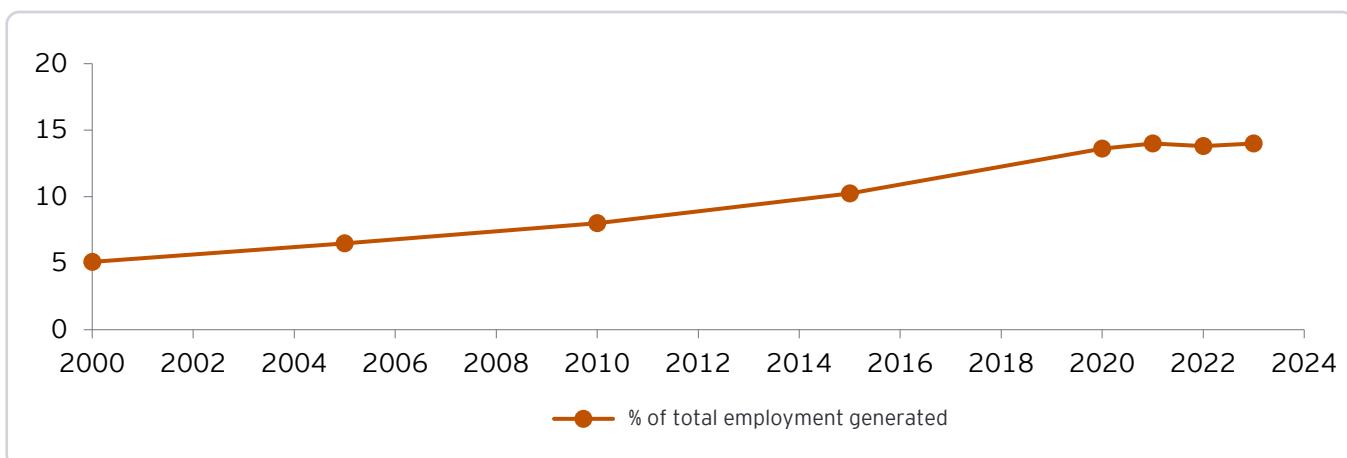
Source: UN Data, World Urbanization Prospects, 2018 Revision

This demographic shift was majorly recorded across Tier-1 cities with higher residential and commercial segment growth while tier-2 cities gradually picked up pace across residential, commercial and retail segments.

[3] UN Data, World Urbanization Prospects: 2018 Revision

The share of employment generated by RE and construction Sector has been increasing

The sector's growth has contributed to increasing share to overall employment generation in the country. As per the illustration below the employment in the sector has increased from approximately 20m in 2000 to approximately 77m in 2023^[4].



Source: National Skill Development Corporation

The growth in the employment for the RE industry was at a CAGR ~6.2% over the last 25 years with over 7.5% growth witnessed from 2010-2023. The sector witnessed increased growth in terms of labour force addition where in the overall sector witnessed a growth of ~2% over the survey period^[4].

Approximately 80% of the workforce is unskilled with the rest being skilled. Owing to the growing demand for real estate and infrastructure, the demand for skilled employees will continue to arise from developers, construction companies, consulting firms etc. whereas the supply of the skilled manpower is to be generated from government initiatives, academic and training institutes. As per the estimates of National Skill Development Council (NSDC), 87% of the overall employees (skilled + unskilled) are absorbed by the real estate sector, whereas 13% are absorbed by the infrastructure sector^[4].

RE continues to be the most preferred Asset Class

Over 51% of the asset's holdings in India (financial and physical) are held in real estate holdings, as this asset class offers potential for high growth, strong returns and secure income streams.

Indian households prefer physical assets such as real estate and gold over financial assets like insurance and mutual funds. Of the total household assets of US\$11.10t as of March 2023, a major portion i.e., 66% are invested in real estate and gold. While real estate accounts for the major share with 51%, people have invested 15% of their assets in gold. The diagram below depicts the changing share of physical and financial assets^[5].



Source: Jefferies report on asset allocation in India 2023

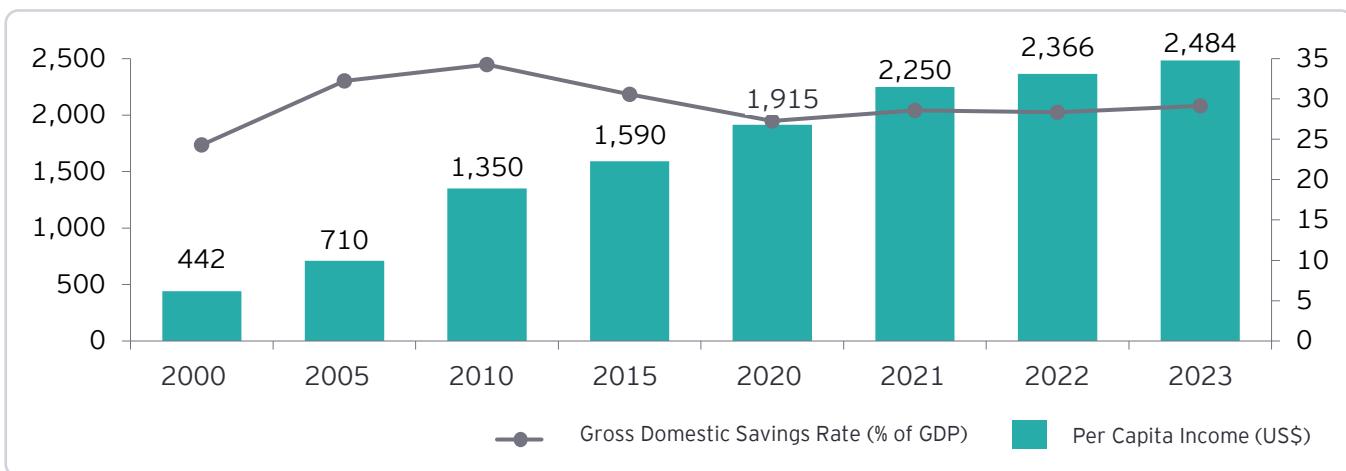
[4]National Skill Development Corporation 2013-2017-2022, EY Research

[5]Jefferies report on asset allocation in India 2023

With its safety, stability, potential for high returns, tax benefits, and ability to diversify portfolios, real estate investment offers a range of advantages. Moreover, the tangible nature of real estate assets, passive income generation, and long-term wealth creation make it an appealing option for investors.

Indians are earning more and savings relatively better

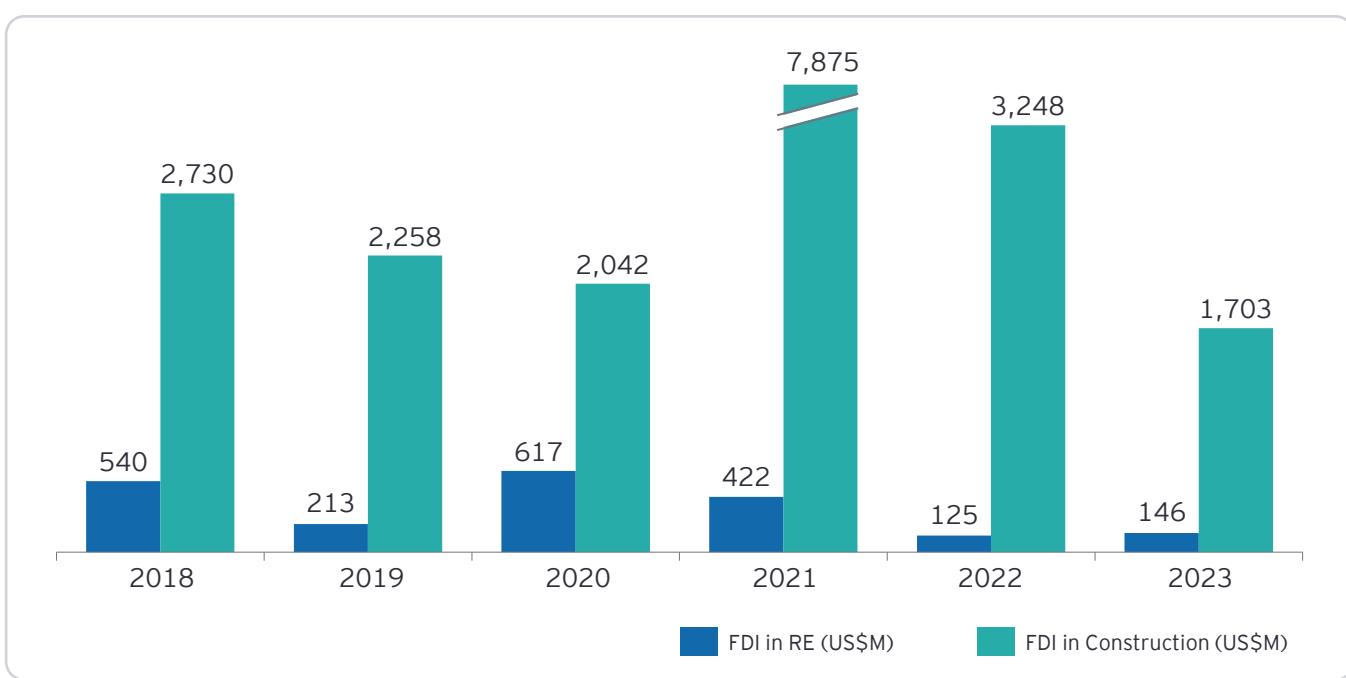
Performance of the per capita income reflects the sector's performance. Despite multiple hiccups in the real estate market during the pre-pandemic era, disposable income continued to witness gradual growth with a 12% CAGR over a 20-year period between 2000 and 2024^[6]. The diagram below depicts the trend of growing per capita income and savings rate for India.



Source: World Bank Data

Impact on the overall economy due to Covid-19 pandemic led to minor plunge in the savings rate with lesser number of people investing in property purchase and decline in commercial leasing activities due to complete lockdowns and work from home model. However, the sector witnessed a revival, and the property transactions and capital values have witnessed all-time high.

FDI inflows in RE sector witnessed a growth of 12% in the last decade:

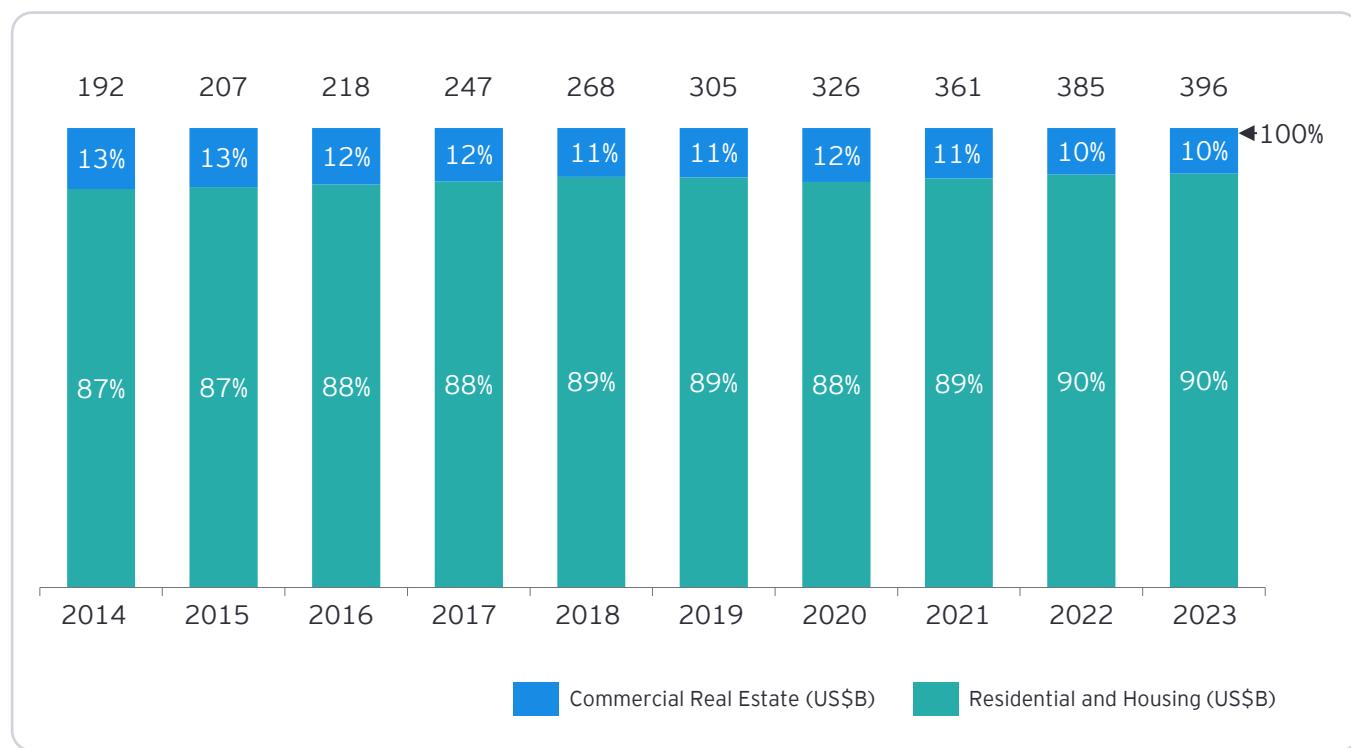


Source: DPIIT

[6] World Bank (Data) 2024 Revision

The sector has witnessed oscillating investment trends due to multiple global and domestic economic reforms but continues to be an opportunity area. FY22 witnessed a decline in FDI due to the lingering impact of the pandemic where domestic investments continued to keep the markets afloat but cross-borders investment were impacted until FY2024^[7].

The deployed bank credit has increased by 3X for commercial real estate



Source: RBI (Data)

Bank credit for construction and infrastructure activities exhibited a gradual growth until FY16 only to decline over the next couple years owing to bad loan cycles, and regulatory actions such as the asset quality review (AQR) by the RBI, and demonetisation during 2016 resulting in de-growth during FY17. Despite the credit blow, the sector witnessed revival in lending during FY18 backing some of the better performing companies during the period with restrictions to over leverage. With robust performances from the Indian construction companies, bank credit has recorded a robust growth between FY19 and FY24 and is anticipated to maintain a similar pace aided by the government's efforts to boost infrastructure activities.

[7] Factsheet on FDI, DPIT and EY analysis



RE growth picked up significant pace in the last decade

The period of 2000- 2012 was characterized by high economic and industrial growth, changing demographic profile of the country, increasing per capita net disposable income, and proactive government and liberalized policies. The real estate sector became a significant contributor to the Indian economy and witnessed the following changes:

- High consumer demand across all segments
- Semi organized players moving towards PAN Indian Presence
- Quality products with international standards
- Multiple financing options with easy access to funds to FDI (post 2005)
- Relatively easy access to housing finance to consumers
- Enabling regulatory and policy framework

Mentioned below are the trends for key asset classes:-



Residential

- The number of residential units sold in the period was approximately 20 lakhs units
- Top eight cities contributed to 75% of the sales
- Capital values witnessed 2 phases of growth :- High growth from 2002-2007 of ~ 6-7% pa followed by correction and subsequent revival on account of global economic recession
- Focus on affordable housing post 2008 on account of lightening liquidity.
- Several policy measures announced
- Shift in product format with buyer profiles getting younger.
- Emergence of integrated developments^[8]



Commercial Space

- Grade A office space absorption increased from 25m sq. ft in 2000 to ~350m sq. ft by 2012.
- Top eight cities accounted for 90% of the overall space absorption.
- The overall rental trends witnessed an average increase of 4-5% CAGR. The period witnessed introduction of campus styled office space
- Emergence of Technology, Engineering Services - Shift from outsourcing to BPM Services - growth witnessed in IT/ITeS across key markets
- The period witnessed IT focussed policies, SEZ norms and emergence of the biotech sector^[8]

[8] Source: EY Research



Retail

- Key formats witnessed were high street, single store and shopping store models
- Penetration of organised retail was restricted to ~5% during this period
- 51% FDI on single brand retail in 2006 and 100% allowed in 2012- opened the doors for entry of large brands
- ~50% of the new supply during this period was Grade A in nature witnessed in the top eight cities
- Demand supply mismatch had exerted pressure on rentals post 2008 - 12 due to global recession^[9]



Industrial and Warehousing

- Industrial/Warehousing segment which was primarily Grade B in nature witnessed increased participation of global investors during the later part of the decade
- Central government initiatives such as Warehousing (Development and Regulation) Act, 2007, development of Free Trade and Warehousing Zones (FTWZ), (Foreign Trade Policy, 2004-09) accentuated the growth of the industry
- Private industrial parks such as Mahindra World City and Sri city witnessed good response from the market/investors on launch
- Manufacturing led demand was the foundation of the sector over the next decade^[9]

In the period of 2013 to present, despite multiple structural reforms, policy interventions and cyclical market conditions, the overall real estate growth in the decade exhibited growth. While the traditional RE segments witnessed growth momentum, new alternatives such as Co-working, Co-living, student housing, data centers witnessed greater demand. Technology became a great enabler which improved the product offerings and rationalized the cost of real estate operations. The period was characterized by:

- Introduction of multiple policy reforms to rationalize the sector and protect customer interest. REIT's introduced the concept of fractional ownership of RE which was well received by market
- Increased demand from IT/ITeS sector with commercial office demand exhibiting exponential growth
- Make in India thrust accentuated the demand for industrial and warehousing
- Post COVID witnessed surge in demand for multiple RE segments

Mentioned below are the trends for key asset classes:-



Residential

- Demand of over 41 lakh units over the last decade
- The period of 2014 to 2020 witnessed structural reforms (GST, RERA, Demonetisation) due to which rationalisation of demand supply dynamics happened.
- Capital Value has grown at a CAGR of 4% during this period before COVID, post COVID Capital Value has grown at CAGR of 8%.
- Preference of larger format, branded residencies and tech enabled enhancements.
- Adoption of sustainable initiatives on top priority^[9]



Commercial Space

- 385m Sq. ft demand over the last 10 years
- The top eight cities contributed over 90% of the demand
- Introduction of REITS and SMREITS
- Policy initiatives such as Start Up India Action Plan, Atal Innovation Mission, Digital India have actuated the sector
- Approximately 70% of the total foreign direct investment (FDI) inflow is allocated to the commercial sector.
- Commercial sector has received a private equity of US\$24,984b over the last 10 years
- Co-working which got introduced in 2016-17 currently has a market share of ~8% and expected to witness exponential growth^[10]



Retail

- 39.2m sq. ft of demand over the last decade
- ~270 malls (Grade A+B) operational in the top eight cities
- 100% FDI for single brand retail
- 51% FDI for multi-brand retail
- The sector provides direct employment to 35m workforce
- Nearly 25m sq. ft mall space to be added in the next 4-5 years
- Apparel, Entertainment, and F&B together accounted for 70% of the total absorption in the retail segment
- Introduction of multiple models such as revenue share, minimum guarantee among others^[10]



Industrial and Warehousing

- India offers ~520 Ha of industrial land for industrial development - 80-85% are in mixed used category.
- Make in India, PLI and State and Central incentives are main parameters of growth
- Overall Warehousing space stands at 371m sq. ft
- Increased demand from Manufacturing, FMCG, Pharma, Auto, E-commerce & Third-party logistics
- Government initiatives such as MMLP & National Logistics Policy 2022
- 100% FDI in warehousing & Storage
- Technology adoptions like automation, robotics, AI are revitalizing the sector^[10]

[10] Source: EY Research



POLICY initiatives have positively impacted the sector in the last 25 years

Real estate holds a significant position in shaping the nation's economy, critically influencing its economic performance while also being a key engine for employment creation. However, this sector's dynamics are related to various factors. Among them, policy initiatives and regulations are crucial.

Introduction of policies, such as Special Economic Zones policy, attracted foreign investors and boosted domestic investments in the country. Large land parcels demarcated as SEZs were backed with attractive incentives like tax breaks, duty-free imports, and streamlined regulations etc., this led to the demand and growth of industrial and commercial properties. However, post sunset of SEZs in 2021, fiscal incentives offered in these areas expired, which led to reduction in new investments and real estate developers faced decrease in the expected returns on their investments.

Other major hindrances that affected the sector includes demonetization of high denomination notes in 2016, led to the immediate downturn of the real estate market but in the long run, it curbed the circulation of fake currency and unaccounted money in the market which increased transparency and shift towards digital transactions.

Introduction of Goods & Services Tax in 2017, initially hampered the real estate transactions which led to a slowdown in sales, as GST on under construction properties was higher than VAT and service tax, resulting in delay of projects. This affected the liquidity and revenue of real estate developers. GST rates for the affordable housing segment and luxury housing segment was initially the same, which adversely affected the cost and demand for affordable housing. However, later the concessions were provided to affordable housing segment to mitigate the impact.

Establishment of Real Estate (Regulation and Development) Act (RERA) in 2016 introduced stringent regulations such as registration of projects, regular updates of the project on RERA website, and maintenance of escrow account separately for each project that led to liquidity crunch and had unfavourable effects on the market. Over the time, RERA has been instrumental in transforming Indian Real Estate sector which is now more buyer-friendly, transparent and accountable market. As per a recent report released by JLL on Global Real Estate Transparency Index, 2024, India holds 31st position globally and place in second category i.e. 'Transparent market' category^[11].

[11] Source: JLL Global Real Estate Transparency Index

Details of policy initiatives, status and impact post 2014

Policy Initiative	About	Status	Impact on Real Estate sector
Special Economic Zones (SEZ) Policy 2001	SEZs are engine for economic growth supported by quality infrastructure, attractive fiscal package. They are a special geographical region demarcated to encourage foreign investment and promote domestic economic activity	<ul style="list-style-type: none"> 423 formally approved SEZs in India Covering land area of 44692.70 Ha Hub of 6,92,914 crore of total investment Employment generated for 30,70,653 people^[12] Sunset clause post June 30, 2020, to limit tax incentives 	<ul style="list-style-type: none"> Increased demand for industrial and commercial properties Appreciation in property values Growth in rental market Boost to residential segment Growth in infrastructure development New revamped framework under discussion
Real Estate Investments Trust (REITs), 2014	Introduced by SEBI to raise investments in real estate market REIT facilitates investors to invest in income generating real estate assets	<ul style="list-style-type: none"> 04 REITs are listed in India- 03 office REITs and 01 retail REIT (NAREDCO, 2024) Gross asset value of REITs in India has grown at CAGR of 35.71% from 2020 to 2024^[13] 	<ul style="list-style-type: none"> REIT has only influenced office and retail segment of the sector REIT has infused liquidity in the market, helping developers to utilize as capital and expand the development of the sector with new launches
Affordable Housing Scheme- PMAY (Prime Minister Awaas Yojana), 2015	Policy aims to address the housing needs of low and middle-income segments of urban and rural areas along with basic services	<ul style="list-style-type: none"> 118.64 lakh houses sanctioned 115.14 lakh houses grounded 87.25 lakh houses completed^[14] 	<ul style="list-style-type: none"> Addressed housing deficit in the Country Contributed to inclusive growth and poverty alleviation working towards achieving UN Sustainable Development Goal
Real Estate (Regulation and Development) Act, 2016	The RERA Act laid down regulatory framework by enhancing transparency in the sector and effective mechanism for property dispute resolution	<ul style="list-style-type: none"> 1,31,873 real estate projects and 88,775 real estate agents have registered under RERA across the country 1,26,269 complaints have been disposed-off by the real estate regulatory authorities across the country^[15] 	<ul style="list-style-type: none"> Promoted orderly growth and increased transparency in the sector Developers are encouraged to adhere to the norms Boosted the confidence of homebuyers
Benami Transaction (Amendment) Act, 2016	Introduced strict rules and penalties against benami transaction, detailed procedure for confiscating the benami property is introduced	-	<ul style="list-style-type: none"> Transparency in transactions with respect to clear title of parties involved Central government confiscated land or property without clear title, utilized the land to build affordable housing

[12] Ministry of Commerce and Industry "Factsheet on Special Economic Zone" as on 30.04.2024

[13] Indian REITs Association, 2023

[14] Ministry of Housing and Urban Affairs, PMAY-HFA(Urban)

[15] Ministry of Housing and Urban Affairs-Real Estate (Regulation & Development) Act, 2016 [RERA] Implementation Progress Report as on 12.08.2024

Policy Initiative	About	Status	Impact on Real Estate sector
Digital India Land Records Modernisation Programme (DLRMP), 2016	Aim of the program is to develop modern, comprehensive and transparent land record management system	<ul style="list-style-type: none"> 95.56% land records are computerised 60% cadastral maps digitized 95.73% SROs are computerized^[16] 	<ul style="list-style-type: none"> Digitised land records Unique property ID for all properties Computerized registration records
Goods & Services Tax (GST), 2017	GST subsumed multiple indirect taxes like VAT, Service tax etc.	<ul style="list-style-type: none"> GST on affordable housing under construction property now is 1% For non-affordable housing under construction property now is 5% No GST for ready to move in properties^[17] 	<ul style="list-style-type: none"> VAT levied on construction material cost and service tax levied on labour cost is removed, bringing transparency in overall cost and tax applicable
Special Window for Affordable and Mid Income Housing Investment Fund (SWAMIH), 2019	India's largest social impact fund formed for completing stressed and stalled residential projects	<ul style="list-style-type: none"> 28000+ homes delivered Unlocked liquidity for more than 35000 crore^[18] 	<ul style="list-style-type: none"> Addressed liquidity issue faced by developers in housing sector Benefitted homebuyers with ample options in the market
Jawaharlal Nehru National Urban Renewal Mission (JNNURM), 2005	The main objective is to increase efficiency in urban infrastructure and service delivery mechanisms, community participation, and accountability of ULBs/ Parastatal agencies towards citizens	<ul style="list-style-type: none"> ~INR 17,900 crore of assistance released 348 out of 1,507 approved projects have been completed^[19] 	<ul style="list-style-type: none"> Strengthened the infrastructure facilities of selected cities, and improved their attractiveness as potential real estate investment destinations Promoted integrated development of slums, i.e. housing and development of infrastructure in slum settlements
FDI in Construction, 2005	From 2005, 100% FDI in Construction Development sector is allowed under the automatic route with specific conditions	FDI inflows in construction (infrastructure) activities is US\$33.91b (Apr 2000 to Mar 2024) ^[20]	<ul style="list-style-type: none"> Inflow of capital has helped in growth and development of the sector The sector also witnessed an infusion of advanced technology and construction expertise
National Logistics Policy (NLP), 2022	Launched in 2022, NLP aims to drive economic growth and business competitiveness through an efficient logistics network ^[21]	The focus on infrastructure development is helping in reducing transit times, boosting supply chain efficiency and reducing costs	NLP helped in driving growth of commercial real estate, including warehouses and industrial parks

[16] Ministry of Rural Development- Digital India Land Records Modernization Programme-MIS 4.0- DILRMP-MIS 4.0

[17] Ministry of Housing and Urban Affairs, PIB release - Special Window for Completion of Affordable and Mid-Income Housing (Swamih Investment Fund), 20.09.2020- Press Release: Press Information Bureau

[18] Ministry of Finance, PIB release- SWAMIH Fund completes 20,557 homes since inception in 2019, 04.03.2023- Press Release: Press Information Bureau

[19] Ministry of Housing and Urban Affairs- JNNURM: State wise progress

[20] Invest India- Snapshot: Construction Industry in India | Construction Sector Investments

[21]National Logistics Policy 2022

Policy Initiative	About	Status	Impact on Real Estate sector
Data Centre Policy	The draft policy unveiled in 2020 aims to provide authorization and operations standards for data centres, along with regulatory measures ^[22]	Some of the incentives include providing infrastructure status to data centres at par with other sectors such as railways and incentives to companies who setup advanced AI & ML data centres	Incentivization and support from the government has led to a boom in demand for data centres, in turn increasing demand for RE alternatives
Infrastructure Status to Affordable Housing	The government granted infrastructure status to affordable housing to enable such projects get benefits such as lower borrowing rates, tax concessions and increased flow of capital ^[23]		<ul style="list-style-type: none"> ▪ Incentives such as lower rates and tax concessions facilitated easier financing of affordable housing projects, positively impacting the RE sector ▪ It will fulfil the housing need of homeless urban poor and enable them to own decent pucca houses with basic infrastructure facilities

[22]Draft Data Center Policy

[23]<https://pib.gov.in/Pressreleaseshare.aspx?PRID=1519109>



IMPACT of CREDAI on RE landscape

CREDAI is the apex body of private real estate developers in India.

- It was established in 1999, with a vision of transforming the landscape of the Indian real estate industry and policy formulation
- CREDAI represents 13,000+ developers across 230 city chapters in 21 states

Marketing & Promotion of Real Estate (RE) Industry

CREDAI has played an active role in marketing and promotion of the RE industry. Prominent steps undertaken are mentioned below:-



Marketing and promotion



- CREDAI enhances India's real estate sector globally **through international events** like NATCON, held in cities such as Dubai, London, Egypt, and Sydney. These events bring together Indian real estate developers, government officials, and global stakeholders to discuss industry trends and sustainable development, showcasing India's real estate potential and attracting global investors.
- **Training and knowledge sharing programs** that focus on skill development, green building practices, regulatory compliance, and technology adoption ensuring members stay ahead in a fast-evolving industry.
- CREDAI's national level real estate conclaves, summits, and exhibitions such as New India Summit, Youthcon and various Statecon are organized every year to bring together industry leaders, policymakers, and global stakeholders to discuss market trends, policy reforms, sustainability, and technology.

Assistance to government in policy formulation



Key initiatives



- **Influenced policy changes** in RE sector such as RERA implementation, advancing 'Housing for All' and Credit Linked Subsidy Scheme (CLSS)
- **Advocating reforms** to enhance operational landscapes such as capital gains tax reform and their impact on investments, real estate project development
- **Favourable tax frameworks** for investments in housing and incentivize developers and align with 'Housing for All' initiatives
- **Engagement and frequent interactions** with several ministries, including the Ministry of Housing and Urban Development, Finance, Environment, Forest and Climate Change, New and Renewable Energy, Civil Aviation, Labour, along with Reserve Bank of India ministries to discuss pressing industry issues and emerging trends



- Sharing **detailed reports and data-driven insights** with government officials to keep them well-informed about the challenges, opportunities and new trends within the real estate sector
- Operates a **national confederation** that works closely with 21 state federations, which in turn guide and set directions for 230 city chapters. All city chapters operate as independent units and report to their respective state federations
- Advocating the recognition of affordable housing as Infrastructure Status, along with the revision of the definition of affordable housing in India
- **Active MSME committee** that works closely with small and medium developers and relevant government bodies to promote specific financial initiatives, such as subsidies and tax incentives
- **Trivial influence in GST implementation** and engaging with policymakers to address concerns and educate its members on compliance and tax planning
- **Frequent interactions with relevant ministries** and policymakers to emphasize collaboration, advocacy and knowledge sharing and considerate decision making
- **Advocated for beneficial policies** and create awareness about new policy implementation and implications

Promotion of ESG norms and sustainable growth

CREDAI has launched multiple sustainable initiatives which encourages its members to adopt green and sustainable practices and implement ESG norms.

- **Green building certification programs** to promote green building practices and encourage acquiring IGBC certifications to meet international sustainability benchmarks
- **Advocating 'Affordable Housing Projects'** to address social equity and promoting inclusivity and community development with access to safe and decent living conditions
- **Promoting waste management practices** such as recycling and responsible disposal to reduce the ecological footprint of construction activities
- **Advocating water conservation initiatives** such as rainwater harvesting and efficient fixtures for sustainable water management
- **Encouraging digital technology adoption** like BIM and ERP to enhance project efficiency and minimize resource waste
- **Workforce training** or 500,000 workers boosts livelihoods and aligns with sustainable development goals
- **Education enhancement** by converting 1,000 schools into modern facilities, CREDAI addresses critical educational needs and promotes better health and hygiene standard

Additionally, CREDAI has also taken key steps to promote green and sustainable practices such as

- Renewed its Memorandum of Understanding (MoU) with Indian Green Building Council (IGBC) and other such as AEEE, ASSOCHAM, QCI, EESL
- These partnerships facilitate collaborative framework to enhance adoption of green building standards and sustainable development practices
- Provides its members access to valuable resources, guidelines, and certifications that encourage eco-friendly construction methods, energy efficiency and resource conservation



CREDAI
impact



- **Plantation of two crore trees** to combat climate change, enhance biodiversity and improve air quality
- **Upgradation of 1000 schools to modern schools** by improving sanitation facilities providing potable water, and installing smart classrooms
- **One lakh green certified houses** to encourage sustainable living practices among residents promoting a healthier living environment
- **Upskilling workforce** by providing them with valuable training and employment opportunities thus contributing to overall economic growth

CREDAI's approach to affordable housing

The following steps have been undertaken to promote development of affordable housing:-

- Working closely with central and state governments to advocate for policies that support affordable housing, including tax breaks, subsidies and streamlined approvals
- Providing members insights on market trends, best practices, and regulatory updates to help them make informed decisions in affordable housing projects
- Organizing workshops, seminars, and training programs to enhance developers' skills in sustainable construction, financing, and project management
- Facilitating members in securing funding for affordable housing projects through partnerships with financial institutions
- Providing technical guidance on design, construction methods, and regulatory compliance to ensure affordable housing projects meet quality and legal standards

CREDAI's point of view



Industry outlook

- IT sector to propel robust growth in the next two decades
- Focus on AI, data centers and infrastructure development to improve connectivity in emerging hubs
- Tremendous growth in hospitality and tourism sector with growing popularity from international tourists
- Urban migration to propel housing demand in satellite towns
- Growth in senior living projects in the next 25-30 years
- Future growth hubs include Bhubaneswar, Vishakhapatnam, Raipur, Jaipur, Kota, Coimbatore, Warangal, Jewar, Surat, Vadodara, Solapur, Nashik and Tirupati



Policy Parameters

- Need for single window clearance for all permissions and approval
- Incentivizing homeowners through low interest rates and quicker sanctions from banks
- Home owning to be made quicker and simpler
- Rationalized GST rates for materials and services involved in construction
- Developers must be allowed to claim input tax credit



Role of CREDAI

- Committed to boosting the involvement of youth and women through various initiatives designed to promote inclusivity and empowerment
- Established Women Wing and Youth Wing, with 1,500 and 2,000 members respectively, dedicated to supporting women
- Women Wing enhances female representation by offering mentorship, networking opportunities, and leadership training
- Youth wing focuses on engaging and inspiring future leaders in real estate through skill development programs, workshops and collaborative projects

The Building Blocks of Real Estate Growth... Blueprint for 2047

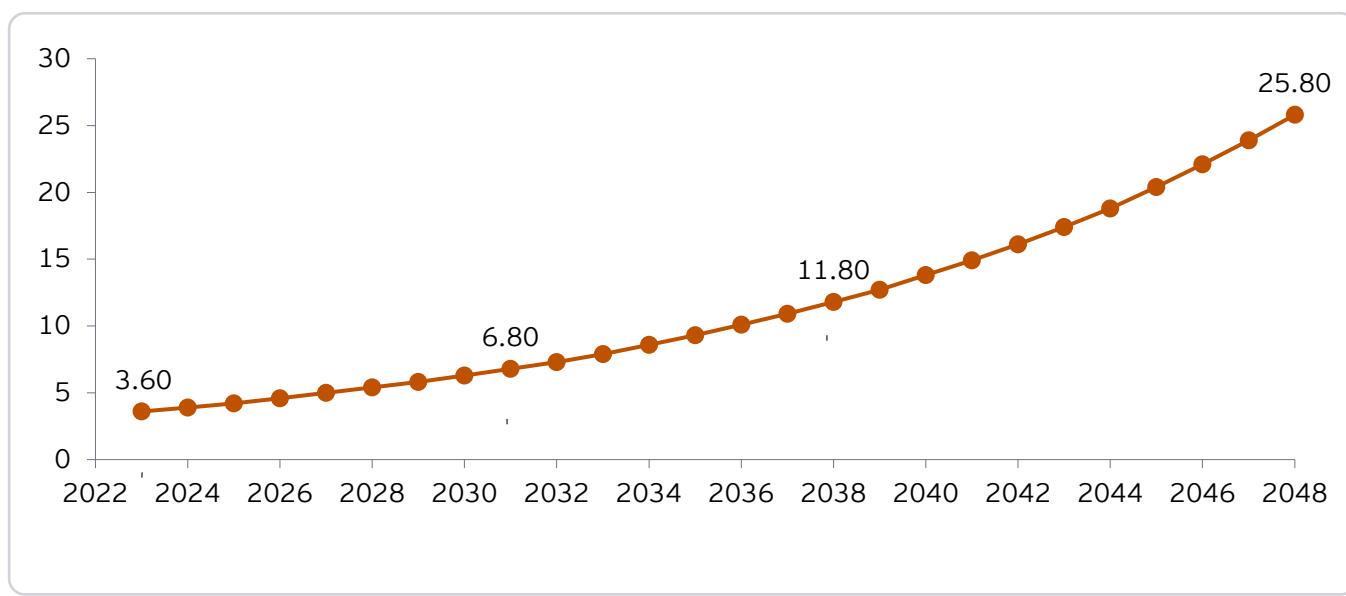


India's GDP will be US\$26 trillion in market exchange rate terms by 2047-48

India is the fifth largest economy in the world. IMF has termed India as the “Star Performer” as India has contributed more than 16% of global growth in 2023. With a robust 7.58% growth in 2023. The forecast for growth in India has also been revised upward, to 7% this year^[24] with the change reflecting carryover from upward revisions to growth in 2023 and improved prospects for private consumption, particularly in rural areas.

India is likely to cross the critical thresholds of US\$5t, US\$10t and US\$20t in market exchange rate terms in FY2028, FY2036 and FY2045, respectively.

Real estate is one of the key sectors that will contribute to achieving the overall target by of US\$26t by FY48. The diagram below depicts the growth of India's GDP over the next 23 years.



Source: EY Estimates

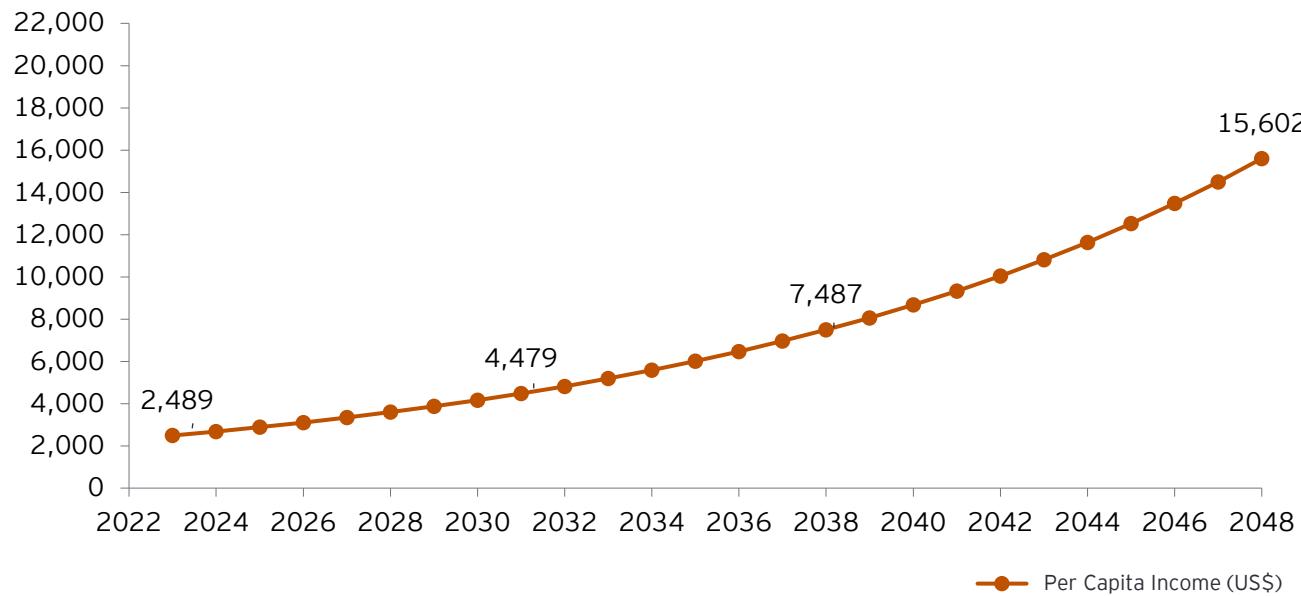
—●— India's Projected GDP Growth (US\$b)

[24] World Economic Outlook, July 2024

India's per capita income in market exchange rate terms is expected to cross US\$13,000 by FY2045, putting it in the ranks of developed economies^[25]. By FY2048, it is expected to reach a level of US\$15,602^[26].

Higher per capita income will lead to growing demand for real estate, as people will seek larger or more luxurious homes or invest in second homes. The per capita income projections has been mentioned in the illustration below:-

From developing to developed: Profile of India's per capita GDP (in US\$)

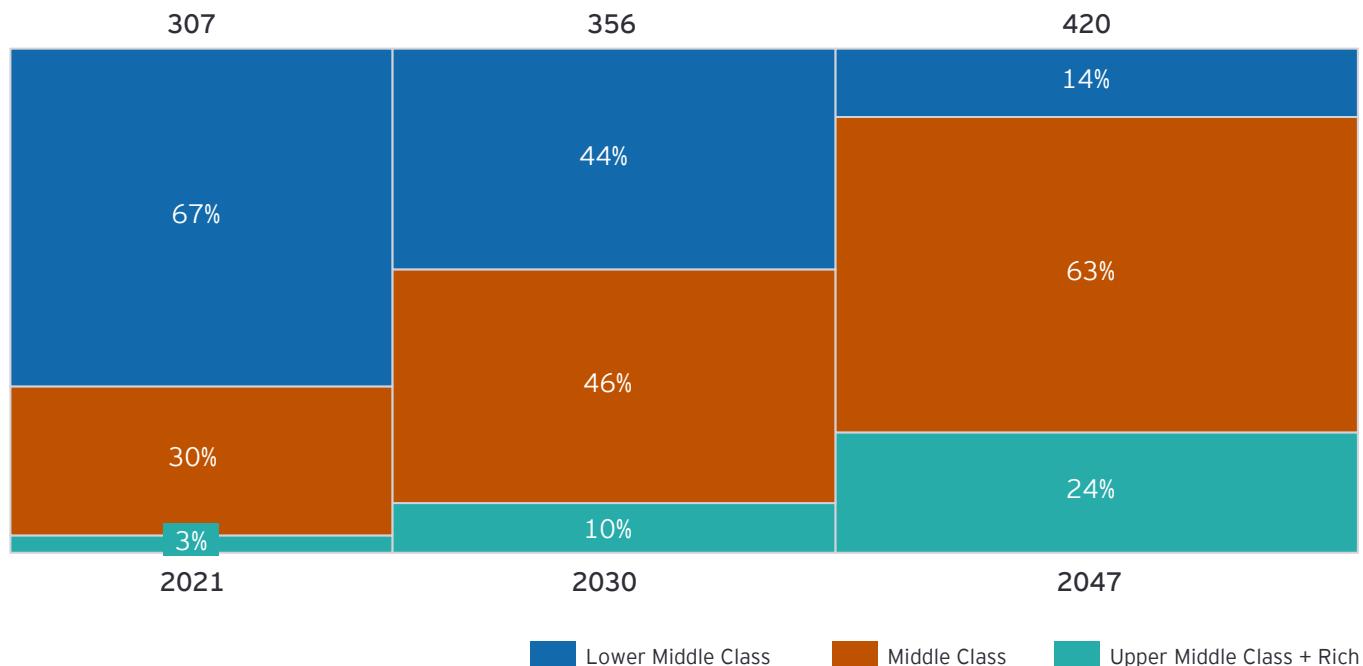


Source: EY Estimates

Income levels and affordability

As of 2021, of 307M households in India, 67% of the households have an income of less than 5 lakh per annum, whereas 92.1m households have income of less than 30 lakh. Only 9.21m households have income of more than 30 lakh. By 2047, 264m households are expected to have income of less than 30 lakh and another subsequent 100m households with greater than 30 lakh^[27].

The illustration below depicts the number of households and the subsequent division of income over 2021-2047.



Source: EY Research

[25] According to the World Bank, a country is categorized as high income if its per capita income is at or above US\$13,205 (New World Bank country classifications by income level: 2022-2023)

[26] Data on India's population projections have been sourced from UN World Population Prospects, 2022

[27] EY Research

With more than 1 billion people in the middle class, there will be an increase in the demand for affordable and mid-range housing, which will lead to increased demand for various residential real estate segments^[27].

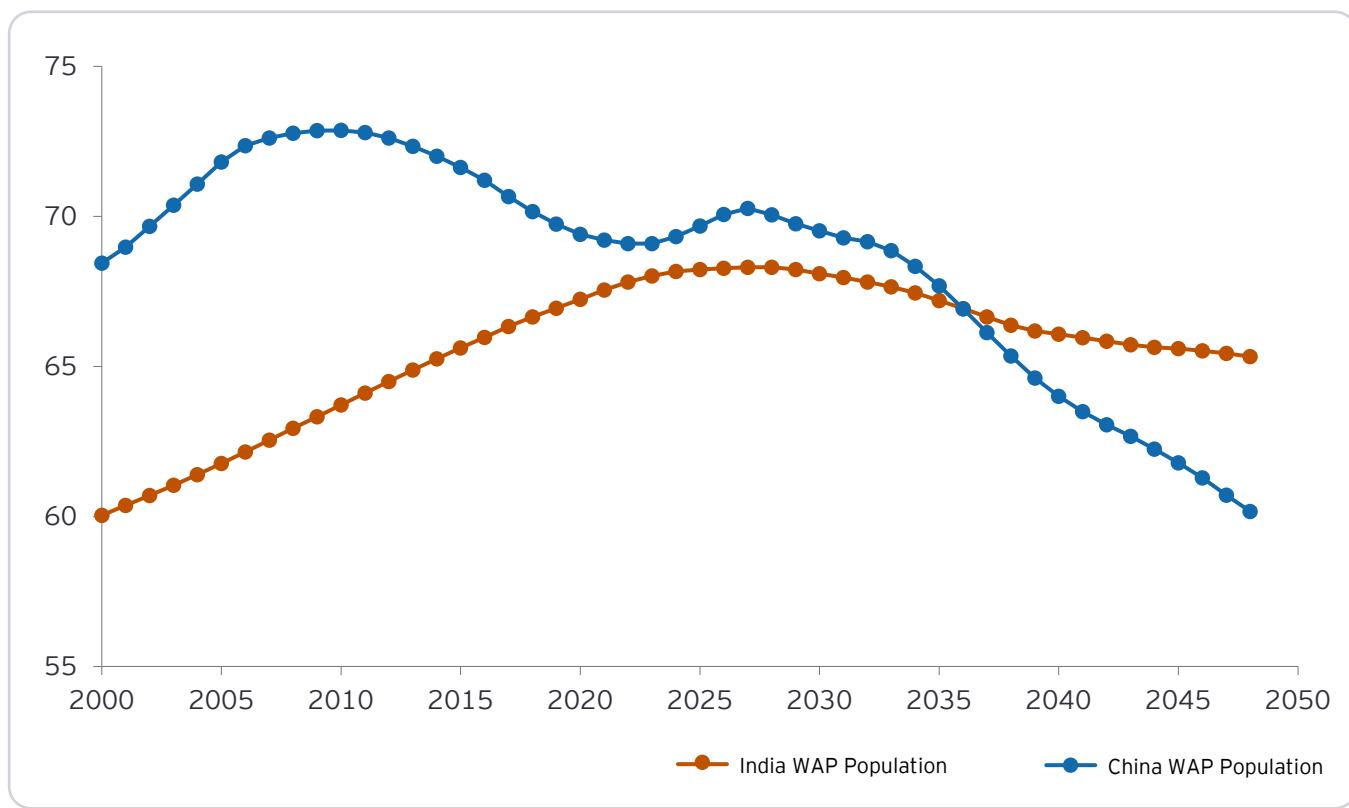
With the growth in rich segments there will be a higher demand for the luxury and higher-end properties.

Larger middle class and rich segments will further spur the demand for retail spaces, malls and office buildings as consumption pattern rises. E-commerce, logistics and warehousing will also experience growth due to the increased spending power.

As wealth increases, there may be more investment in the real estate, not just for personal use but also as an investment class. This could lead to a rise in real estate funds, REITs (Real Estate Investment Trusts), and other investment vehicles.

Population growth

India is the most populated country in the world. More importantly, the share of India's working age population to total population will reach its highest level at 68.3% by 2030. In absolute numbers, India will have 1.04b working age persons by 2030. Correspondingly, India's dependency ratio would be the lowest in its history by 2030 at 31.2%. India would remain the largest provider of human resources in the world. About 24.3% of the incremental global workforce over the next decade will come from India^[28].



Source: UN Population Statistics 2022

This is significant considering the rapidly ageing population in the developed world creating potential challenges to labour supply in various sectors of the global economy. Equally important is the fact that India has a relatively young population with a median age of 28.4 years. Approximately 26% of the population is below 14 years and ~67% between 15-64 years and 7% above the age of 65. In contrast, the population over 65 years in US is ~17% and Europe over ~21%^[29].

This young population not only reinforces India's competitive advantage in all sectors, but also is expected to increase the consumption power of a young population towards discretionary expenditure and will lead to increased demand in the real estate sector.

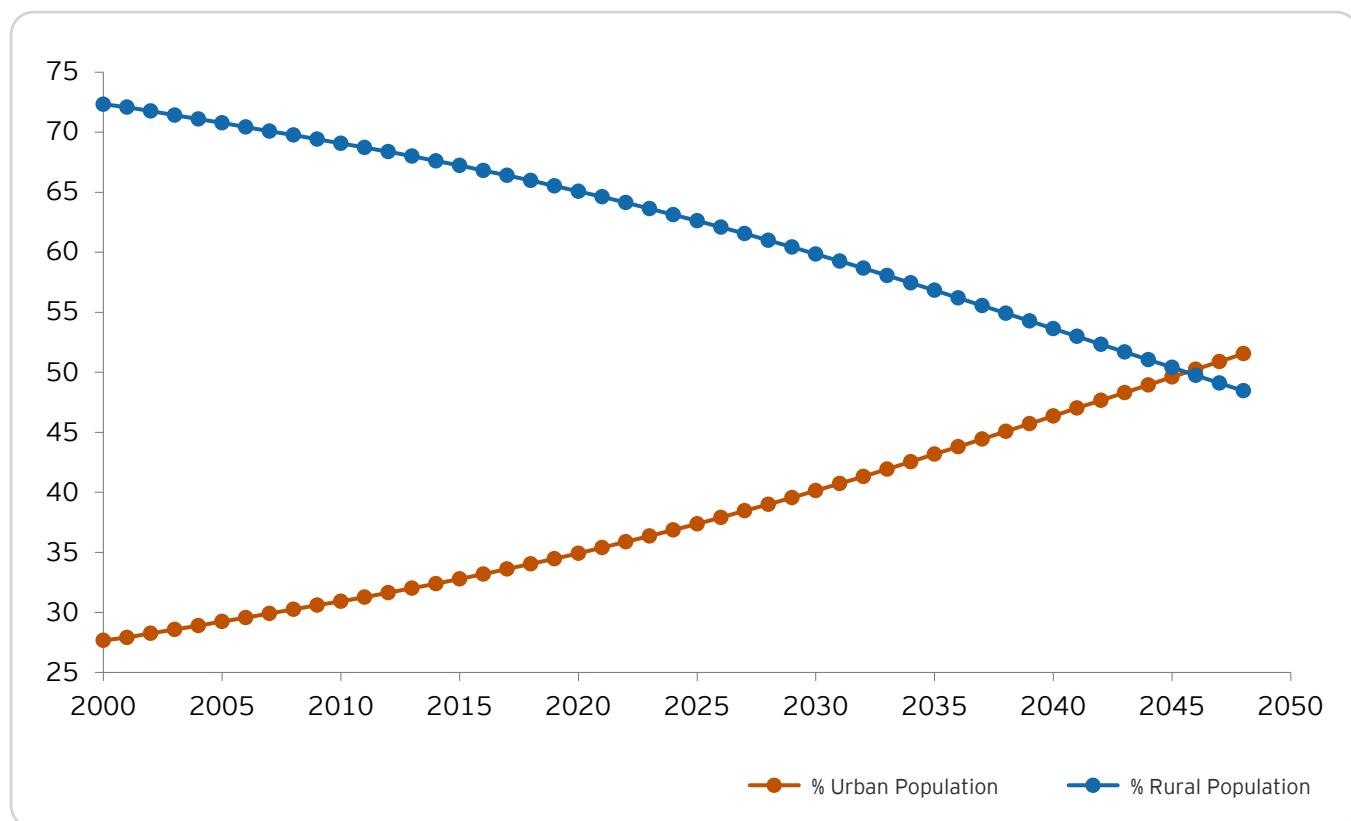
[27] EY Research

[28] UN World Population Prospects 2024

[29] EY Research

Urbanisation rates and others

Historically, India's urban population accounted for approximately 7-8% of the total population. However, the search for better employment opportunities prompted for migration to urban areas. By the early 2000s, the urban population was approximately 28% of the total population. The trend of urbanization further accelerated with initiatives like 'Make in India', industrialization and economic reforms aimed at attracting both local and foreign direct investments. These developments created an abundance of job opportunities, leading to an increased migration of people seeking improved infrastructure and living standards in urban areas^[30].



Source: UN Data

For the first time in India, the urban population is crossing the rural population. Cities will expand, with more than 50% of the population living in the urban areas, new smart cities and semi-urban areas will develop to accommodate the population. This will increase the real estate demand in housing and commercial segments. This historic crossover of the urban population will redefine the Indian Real Estate trajectory, driving innovation and investment. The demand for the social infrastructure - schools, colleges, hospitals etc, will be paramount.

[30] UNDP World Urbanization Prospects Revised 2018



Policy intervention is expected to be the key levers driving the real estate growth

Policy initiatives are anticipated to serve as the fundamental pillar upon which real estate development will rely on in future. Over the past quarter-century, policy advancements have revolutionized the real estate sector, transitioning from disorganized to an organized sector. However, there remains considerable potential for improvement. Although the government has implemented various schemes and policies such as Pradhan Mantri Awas Yojana, Real Estate (Regulation and Development) Act (RERA), Goods and Services Tax (GST), Digital Land Records Modernization Programme (DLRMP), Special Window for Affordable and Mid-Income Housing (SWAMIH) Funds etc., it is expected that these policies will undergo further improvements as the real estate industry continues to evolve.

Policy Initiative	Expected interventions and changes
Special Economic Zones (SEZ) Policy 2001	<ul style="list-style-type: none"> Budget 2022-23 proposed replacing the SEZ Act 2006 with the new DESH bill, aligning with the "Atmanirbhar Bharat" initiative DESH legislation is expected to offer tax benefits such as corporate tax at a concessional rate of 15% for greenfield and brownfield units in the developmental hubs^[31] Policy is expected to promote developmental hubs, which will cater to both domestic and export markets further categorized as enterprise and services hubs
Real Estate Investments Trust (REITs), 2014	<ul style="list-style-type: none"> SM REITs is anticipated to have a cascading impact on the real estate sector. It provides developers streamlined exit mechanism, which in turn allows for the reinvestment of capital into fresh projects. SEBI's Fractional Ownership Platforms regulations is expected to enhance investor trust and attract more investments, both locally and globally, while promoting the institutionalization of FOPs. The framework allows FOPs to transition to SM REITs, improving transparency and investor safeguards through stringent disclosure norms and fair practices^[32].
Affordable Housing Scheme- PMAY (Prime Minister Awas Yojana), 2015	<ul style="list-style-type: none"> Improving borrowers' financial capacity is crucial for the success of affordable housing market, but policymakers cannot tackle this alone; it requires a comprehensive overhaul of India's economic, legal, and financial frameworks, which are currently underdeveloped. Innovations in development of affordable construction methods, material, construction pace etc. are expected to be taken up by developers in this segment.
Goods & Services Tax (GST), 2017	<ul style="list-style-type: none"> Inclusion of land and building transfers, as well as the construction of residential and commercial properties, under the GST is expected to be achieved by classifying them as 'Deemed Services'. This could streamline the land market and enhance transaction transparency.

[31] EY Tax Research

[32] SEBI reports in REITS & InvITS

India faces the challenge of advancing its policy framework to meet the needs of its people. With a plethora of policies pending execution, it is crucial for the nation to align these initiatives with the expectations of the industry.

Industry's inputs on policy initiatives	
Initiatives	Details
Grant of Industry Status to Real Estate sector	Facilitates easier access to institutional financing and lower borrowing costs for developers
Conversion of Leasehold to Freehold Developments	Authorities shall offer a pathway for transforming leasehold properties into freehold ones, through either a one-time or staggered premium payment. This move is expected to inject liquidity into projects, either directly or via increased valuations that lead to greater capital access. Additionally, the conversion process could raise extra revenue through stamp duty on the appreciated property values
Allotment of additional FAR for the project	Authorities might permit distressed projects to obtain extra Floor Area Ratio (FAR), which can be capitalized based on valuations provided by third-party assessors and certified appraisers. The revenue and premiums derived from this should be allocated to construction financing or to payments for current or prospective concessions granted by the authorities.
Flexible CLU to enhance monetizable value of the project	Authorities could contemplate offering flexible Change of Land Use (CLU) licenses in line with the approved existing FAR or the additional FAR. This would potentially increase the project's monetizable value, thereby injecting more liquidity into both the system and the project itself
Re-organisation of Stamp Duty	Authorities might consider deferring the collection of stamp duty on property registrations by allottees until the Occupancy Certificate (OC) is issued or for a set period after registration. This would come with clear guidelines for later collection through government channels. To mitigate risks and improve liquidity caused by allottees delaying property registration, the government could enable BFSI companies to finance stamp duty charges, thus promoting prompt registrations
Affordable Housing Definition	The current definition of Affordable Housing is based on a dual threshold: a sale value of INR 45 lakhs and a carpet area of up to 90 sqm in non-metropolitan cities/towns, or 60 sqm in metro cities. However, this definition has become unviable due to rising inflation, increased costs of raw materials, and higher land prices, making the original price and size limits financially unfeasible for real estate developers. CREDAI proposes redefining Affordable Housing by increasing the threshold sale value to INR 90 lakhs.
Input Tax Credit	CREDAI proposes offering developers the option to choose a GST scheme in the beginning for each project (both residential and commercial). The options would include the 1%/5% composite scheme without ITC, or the 12%/8% scheme (after land abatement) with ITC under the regular assessment scheme. Both options are designed to be revenue-neutral in terms of GST collections.

Source: Primary Interactions

The above recommendations for regulatory reforms, financial incentives, and infrastructural status recognition are necessary to foster growth, improve access to credit, increase liquidity and reduce costs for developers and buyers alike. These suggestions aim to streamline processes, encourage investment, and ultimately contribute to the sector's overall development and stability.

International best practices

The below policies reflect diverse approaches by countries to stimulate real estate sector growth, from affordable housing and investor incentives to regulatory reforms, each shaping its unique real estate landscape.

Country	Policy initiative	Year launched	Brief about policy	Impact
Australia	First Home Owner Grant	2000	Provides a one-time grant to first-time homebuyers, encouraging new home construction and homeownership among young Australians ^[33] .	Stimulated new housing demand and increased construction, though it also put upward pressure on housing prices in certain areas due to increased demand.
United Kingdom	Help to Buy Scheme	2013	Provides equity loans to first-time homebuyers, reducing deposit requirements and increasing access to homeownership ^[34] .	Boosted housing demand and homeownership rates, especially among first-time buyers, and spurred new construction projects, though some regions saw price inflation.
France	Pinel Law	2014	Provides tax breaks for individuals investing in new rental properties, aimed at boosting the rental market and increasing housing stock in designated areas ^[35]	Led to growth in the residential rental market and incentivized new construction, although effects are concentrated in specific areas, with some concerns over long-term sustainability
United States	Opportunity Zones	2017	Created as part of the Tax Cuts and Jobs Act, this policy offers tax incentives to spur investments in economically distressed areas, benefiting real estate and infrastructure projects ^[36] .	Stimulated development in under-invested areas, generating jobs, affordable housing, and revitalizing struggling regions. The policy has spurred significant real estate investment in designated zones.
Canada	National Housing Strategy	2017	A comprehensive 10-year, US\$40b plan aimed at creating affordable housing, reducing homelessness, and promoting sustainable housing solutions ^[37] .	Increased affordable housing supply, reduced homelessness, and led to greater investment in sustainable housing initiatives.
Saudi Arabia	Sakani Program	2017	Aimed at addressing housing shortages by offering loans, subsidies, and land grants for affordable housing developments, targeting low- and middle-income citizens ^[38]	Expanded affordable housing access, with substantial government funding and private sector involvement to meet housing demand has boosted real estate and construction sectors
United Arab Emirates	Golden Visa for Real Estate Investors	2019	Grants long-term residency to foreign investors with significant investments in the real estate sector, boosting investor confidence ^[39]	Attracted foreign investment, impacted the luxury real estate market, and contributed to economic diversification, making the UAE a desirable location for property investment

[33] <https://firsthome.gov.au/>

[34] <https://www.gov.uk/government/publications/help-to-buy-equity-loan-buyers-guide/homebuyers-guide-to-the-help-to-buy-equity-loan-2021-to-2023-accessible-version>

[35] <https://www.service-public.fr/particuliers/vosdroits/F31151?lang=en>

[36] <https://www.eda.gov/grant-resources/comprehensive-economic-development-strategy/opportunity-zones>

[38] <https://www.vision2030.gov.sa/en/explore/explore-more/sakani>

[37] <https://www.placetocallhome.ca/about-national-housing-strategy>

[39] <https://u.ae/en/information-and-services/visa-and-emirates-id/residence-visas/golden-visa>

The above policies have created inclusive and sustainable real estate market in respective countries. India may consider adopting such policies as per the local needs to overcome issues pertaining to affordable housing options in major Indian cities, home ownership rate, housing deficit, social equity. Adoption of tax incentivization and financial advantages, such as stamp duty waiver, and giving tax benefits to first time homebuyers, can soften the blow of high interest rates and help boost property sales. Also, allowing developers to deduct their tax paid on materials and services (input tax credit) from their GST can help them manage rising costs better.



Infrastructure and urban planning: The bedrock of future development

Infrastructure development and real estate growth in India share a symbiotic relationship in India. Total budgetary outlay for all infrastructure-related ministries in FY 2024-25 is INR 5 lakh crore, which is five times more than the budgetary allocation of FY 2014-15. It is expected to increase by CAGR by 17%-20% in 2035^[40].

Government initiatives such as National Infrastructure Pipeline (NIP) and PM Gati Shakti have been introduced to enhance the strategic planning and efficient execution of infrastructure projects. The NIP serves as a comprehensive inventory of projects across various sectors such as transport, energy, communication and social infrastructure with targeted investments of US\$1.4t^[41].

The NIP was further enhanced by the introduction of 'Gati Shakti,' a comprehensive national infrastructure master plan for 25 years, which emphasises on development of roads, railways, airports, ports, mass transit systems, waterways and logistics. Gati Shakti aims to create a unified digital platform that will bring 16 Indian ministries together for the synchronized planning and implementation of infrastructure initiatives^[42]. The plan is set to integrate various infrastructure schemes such as Bharatmala, which focuses on connecting 550 district headquarters and remote areas through highways; Sagarmala, aimed at augmenting coastal shipping and inland waterways; as well as initiatives for dry/land ports and UDAN, which is designed to enhance air transport etc., under various ministries and state governments^[43].

Physical infrastructure			
	2023	2047	Key infra details
Airport ^[43]	148 Airports	>400 Airports	<ul style="list-style-type: none"> ▪ Metro cities- 05 airports ▪ Tier I and II cities- 50 ▪ Tier III and IV cities- 203
Port ^[44]	12 major, 200+ non major ports	06 Mega Ports	<ul style="list-style-type: none"> ▪ 02 Mega Ports - 500 MTPA capacity ▪ 04 Mega ports - 300 MTPA capacity ▪ 08 Proposed maritime industrial clusters

[40] EY Estimates

[41] <https://pib.gov.in/PressReleasePage.aspx?PRID=1793805>

[42] EY Research

[43] Ministry of Aviation Report "Connecting India to the world in Amrit Kaal- Setting the stage for Indian Civil Aviation @ 2047" released in 2023

[44] Ministry of Ports, Shipping and Waterways report "MARITIME INDIA VISION 2030", released in 2031

Physical infrastructure			
	2023	2047	Key infra details
Rail ^[45]	<ul style="list-style-type: none"> Network length- 1.28 lakh km 102 Vande Bharat express trains 	<ul style="list-style-type: none"> Network length- 2 lakh km 4500 Vande Bharat express trains 	<ul style="list-style-type: none"> 1,500 PM Gati Shakti terminals 10,000 km of Semi-high Speed (200+ Kmph) Passenger Corridors connecting Major Cities 7,000 km of high-speed rail network (300+ kmph)
Road ^[46]	<ul style="list-style-type: none"> National Highways: 1,46,145 km 4,000 kilometres of access-controlled high-speed highways 	<ul style="list-style-type: none"> National Highways- 48,64,91 km 32000 km expressways and access-controlled highways 	<ul style="list-style-type: none"> ~550 districts will be connected with 4 lane highway
Social infrastructure			
Hospital ^[47]	<ul style="list-style-type: none"> SC/PHC/CHC- 194349 Government Hospital (rural and urban areas, including CHC)- 60621 AYUSH Hospital and Dispensaries- 40692 	<ul style="list-style-type: none"> SC/PHC/CHC- 232311 Government Hospital (rural and urban areas, including CHC) 2,01,290 AYUSH Hospital and Dispensaries- 1,00,735 	<ul style="list-style-type: none"> Addition of 30 lakhs beds by 2047 One medical college in each district
Education ^[48]	<ul style="list-style-type: none"> Colleges- 45473 Standalone institutions- 12002 Universities- 1168 	<ul style="list-style-type: none"> Colleges- 74,031 Standalone institutions- 18,301 Universities- 2,712 	
Retail/ Mall ^[49]	61 million square feet of Grade A mall in top 8 cities	212 million square feet of Grade A mall in top 8 cities	

Source: Ministry of Aviation, Ministry of Ports, Shipping and Waterways, Ministry of Railways, Ministry of Road, Transport and Highways

[45] <https://www.indiatoday.in/india/story/national-rail-plan-2030-pm-narendra-modi-indian-railways-infrastructure-high-speed-trains-2518161-2024-03-22>

[46] Ministry of Railways, Presentation by ED/CIS

[47] National Health Profile 2015 & 2019, EY Estimates

[48] AISHE Report 2018 & 2020, EY Estimates

[49] EY Research, EY Estimates

Physical infrastructure

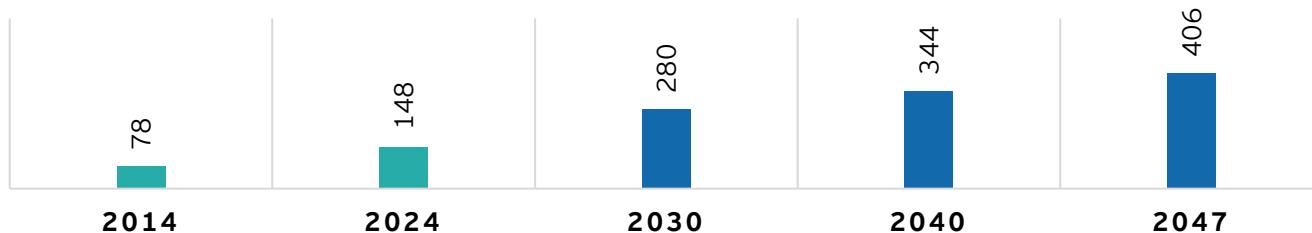
Transport development plays a vital role in upwards surge of real estate demand and property values in the vicinity. Transport sector has been one of the key focus areas for the Government over last decade and is also a high investment receiving area going forward. It is expected to grow at approximately 4.5% compounded annual growth rate (CAGR) from 2022 to 2050^[50].

Airports

Since 2014, number of airports in India have doubled from 74 to 148 now. India is now home to some of the world's best airports. By 2047, India is expected to have a total of >400 airports and addition of ~258 airports^[51]. Cities of Delhi and Mumbai are expected to have 03 airports each, Bengaluru, Chennai and Hyderabad are expected to have 02 airports in each city. The 30 largest cities in India are estimated to require a new airport with the increase in air traffic and limitations in continued expansion of existing airports^[52]. During the last 10 years, average property prices have appreciated with CAGR of 3%-4% in top 7 cities. As per EY research, development of 250+ new airports will lead to the growth of property prices at CAGR of 12%.

The focus on non-aero revenue is important in addition to the terminal, understanding the overall regional context of airport with development of ancillary real estate i.e. logistic parks, smart warehousing, industry specific clusters like textile parks, film cities, institutes, healthcare. Real estate developments linked to airports should not only consider the volume of passenger traffic, but also consider the underlying demand from the surrounding urban areas.

No. of airports by 2047



Source: FICCI Report "Connecting India To The World In Amrit Kaal Setting The Stage For Indian Civil Aviation @ 2047"

New Noida airport

A new Noida city is being developed as an industrial hub around upcoming airport at Jewar. Strategic spatial location and connectivity with the surrounding areas makes it accessible for building international trade and commerce. The new city is being planned for 6 lakh people on 3,568 hectares of land. Sectors around airport are being developed as commercial hubs with IT and ITES along with other cutting-edge industries.

Navi Mumbai airport

Upcoming airport in Navi Mumbai spread across 1,100 hectares of land, will not only enhance the infrastructure development but also acts as key driver for real estate development in Ulwe, Panvel, Khargar, etc. It will be an attractive investment destination for MNCs and large businesses, creating influx of job opportunities. As per EY research, residential property price is growing with CAGR of 4% in Navi Mumbai, which will see further appreciation in property prices in future.

[50] EY Research

[51] Ministry of Aviation Report "Connecting India to the World in Amrit Kaal- Setting the stage of Indian Civil Aviation @2047, 2023

[52] Construction Weekly addition 214, December 2023

Ports

India has 12 major ports and over 200 notified non-major ports along its 7,500+ Km long coastline and sea islands. The current cargo handling capacity of all the major ports in India is ~ 1,500 MMTPA and of Non-Major ports is around 1,000 MMTPA. The total cargo handled increased from 871.52 million tonnes in 2014-15 to 1,629.86 million tonnes in 2023-24^[53]. India has envisaged an ambitious maritime expansion with plans to develop six mega ports by 2047, which will significantly boost its cargo handling capacity is expected to raise by ~10,000 million tonnes. Port based warehouses would be required for cement and food grain cargo. Port led warehousing capacity required by 2025 is 754,000 MT. Expected built-up area for warehousing is ~160,000 sq. ft. with land area of ~220,000 sq. ft. (5 acres) for agricultural exports alone^[54].

Maritime Vision - 2047	
Mega Ports - 500 MTPA	Mega Ports - 300 MTPA
Deendayal and Tuna Tekra Port Cluster	Cochin - Vizhinjam Port Cluster
Jawaharlal Nehru - Vadhavan Port Cluster	Galathea South Bay Port
	Chennai - Kamarajar - Cuddalore Port Cluster
	Paradip and Other Non-Major Ports Cluster

SOURCE: MARITIME AMRIT KAAL VISION 2047

Railways

The National Rail Plan 2030 aims to establish a 'future-ready' railway infrastructure. This forward-thinking strategy is designed to not only meet the immediate requirements but also to accommodate the anticipated increase in demand till 2050. As on date, 102 Vande Bharat train services are operating across the Indian Railways, it will see a remarkable surge to 4,500 by 2047^[55]. Ministry of Railways has envisaged to develop more than 1,500

PM GatiShakti terminals. Commercial real estate values in the proximity of railways terminals is expected to grow by 10-15% pa on account of these development in the future^[56].

Roads

Bharatmala phase 1 launched by Government of India focuses on development of Economic corridors (9,000 kms), Inter-corridor and feeder routes (6,000 kms), Roads under the National Corridors Efficiency Program (5,000 kms), Border and international connectivity roads (2,000 kms), Coastal and port connectivity roads (2,000 kms), Expressways (800 kms), NHDP roads (10,000 kms)^[57].

Under Phase 2 of the project, ministry is planning to build 5,000KM of expressways with an estimated investment of INR 3 lakh crores. The project aims to connect ~550 district headquarters with a 4-lane highway to National Highways. 600 locations identified for wayside amenity development along NHs^[58]. Development of highways/expressways will lead to development of logistics parks, commercial spaces, warehouses. Traveller facilities including amenities along the highway such as restaurants, food courts, retail outlets, and electric vehicle charging stations leading to increase in demand for land and as per various studies property prices is expected to grow along the highways is by 5%-7% by 2035 in the major cities. Real estate developers are expected to command returns of ~15% by investing along the transit corridors like highways^[59].

Metro

The rapid urban expansion and increasing population in Indian cities have led to issues, like traffic congestion and environmental degradation. The metro rail system has proven to be a vital innovation, it offers urban residents a consistent, time-saving, and green mode of transportation. As per Ministry of Housing and Urban Affairs, over 1 crore passengers use the metro daily^[60]. Prior to 2014, Metro rail was operational in five cities with a total of 248km operational stretch. Currently, 945 km of metro lines are operational in India covering 21 cities and 919 km is under construction in 26 different cities^[60]. Metro development has direct impact on city's real estate, as Government grants extra FAR in the impact zone to accommodate the demand for properties. As per EY research, impact of metros is the highest within 500mtr buffer of the corridors and nodes, and effect remains high in 1 km distance or walkable distance to the station, as it provides ease of commute.

[53] PIB release "Strengthening India's Maritime Sector: Port Capacity Expansion and Inland Waterway Development", 2024

[54] Ministry of Ports, Shipping and Waterways report "MARITIME INDIA VISION 2030", released in 2031

[55] Invest India article "Touching Bullet Speeds"

[56] Based on Primary Interactions with third party experts

[57] <https://morth.nic.in/bharatmalaphase>

[58] PIB release by Ministry of Road, Transport & Highways, 2021

[59] Based on Primary Interactions with third party experts

[60] <https://timesofindia.indiatimes.com/india/one-crore-passengers-riding-metro-systems-per-day-in-india-hardeep-singhpuri/articleshow/104763045.cms>

Healthcare and education

Social infrastructure is an enabler of the real estate sector's growth and a key component in enhancing property values. Facilities such as schools, hospitals, shopping malls, parks, and entertainment centres are major developments which enable growth of cities. The number of government hospitals has increased from 7,008 in 2005 to 60,621 in 2021, marking a substantial CAGR growth of approximately 14.4%. The bed capacity in Indian government hospitals has seen a consistent upward trend with CAGR growth of 3.8%^[61].

India's healthcare vision for 2047 includes an addition of 30 lakh more hospital beds, to achieve closer to the average of developed countries, and establish at least one medical college in every district of India.

Urban planning initiatives

India's population is projected to reach 1.6 billion by the year 2047, with approximately 51% of the population expected to live in urban areas^[62] as per UNDP projections. Additionally, there is potential for the rural and smaller towns to evolve as smaller urban settlements. Development of comprehensive townships, mixed-use residential projects, developments linked to economic activity, self-sustaining mini townships etc are prominent development models adopted in major cities to fulfil the demand.

India's national transit-oriented development (ToD) policy has offered land use planning recommendations that promote denser property development options. Relaxation of floor area ratios will encourage upward/vertical growth of a city and reduce horizontal growth or urban sprawl. Cities like Bangalore and Hyderabad have grown outwardly, many Indian cities have unevenly adopted ToD policy recommendation in their master plans. Integrated land use plan with transportation plan is crucial for tackling urban sprawl. Concentrated development around the transit nodes and along the corridors will encourage effective ways of travel by promoting development in proximity to public transit, wider opportunities in the real estate market, and generate revenue for cities from higher land values^[63].

Mixed use development models like 'Live-Work-Play' is getting popular in Indian metropolitan cities, a single development with a combination of offices, residences, retail shops, malls and entertainment facilities will continue to grow as it reduces the need for long commutes and promote a balanced lifestyle.

The urban spatial planning concept has linked rural and urban areas as clusters of development, that has encouraged new developments around the urban centres, impacting the demand for residential, commercial and industrial properties.

India's smart city initiative stands at the heart of its urban transformation strategy, designed to create cities that are both technologically advanced and sustainable in nature. This strategic move not only enhances the standard of urban living but also presents profitable opportunities for real estate investment. Approximately 85% of the smart city projects are implemented as of February 2024^[64]. Cities like Bhubaneswar and Pune have made significant progress in the development under Smart City Mission, have seen steady growth in property prices. Development of greenfield cities, new townships and suburbs have given impetus to rise in the demand for properties. Returns on investments in these cities are high, making them attractive investment destinations. Development of more such smart cities in future will impact the real estate market, as it offers a glimpse into the future of urban living—the cities that are efficient, connected, and sustainable.

[61] National Health Profile, India- all editions

[62] UNDP Projections Revised 2018

[63] ADB blog "In India, Capturing the Value of Land Near Metro Stations Is Critical" 2022

[64] Invest India article "India's Push for Infrastructure Development" released in 2024

Urban planning concepts for future India

15-minute city: Cities are being designed, where the amenities are within 15 minutes cycling or walking distance. The quarter hour city initiative of Paris focuses on prioritising cyclists and pedestrians by decentralising the city. This will boost the demand for housing, commercial, recreation and institutional developments in each neighbourhood.

City planning and management through AI: Indian cities are being planned for 20 years ahead, data driven planning approaches, automated processes and management of the cities for the future are crucial. Cities in the future will adopt AI in city planning with holistic view of the city with respect to transport, infrastructure and Governance. AI assisted traffic management systems are already part of major metro cities in India. AI based tools can be used in enhancing land utilization strategies by employing machine learning techniques to assess demographic trends, accessibility of infrastructure, and understand market demand, thereby guiding the zoning regulations and urban development initiatives.

Inclusive planning: Indian Cities are transforming to embrace diversity and promote equality by ensuring access to housing and basic services, fostering inclusive participation and rights, and creating job opportunities for all. World Bank's inclusive planning includes spatial inclusion, social inclusion and economic inclusion. This concept will promote supply of affordable housing with basic infrastructure like water and sanitation to the middle- and low-income population of the cities. Integrated planning approaches to be adopted in place of fragmented planning.

Urban planning concepts for future India

Assessment of cities based on real estate growth potential

Approach and methodology

EY has attempted to rank cities based on several parameters that are relevant for growth of the city and that impacts the real estate market directly and indirectly. The analysis assists investors by providing them with the necessary insights to make informed decisions. 50 Indian cities are assessed and ranked based on the growth prospects within the real estate sector.

Factors that influence the growth of the city has direct implications on the real estate sector. With this understanding, components have been devised based on social, economic and urban growth factors. Under each component relevant parameters are considered for the assessment.

The methodology adopted for ranking process involves multiple steps like research, data collection and compilation, analysis, categorization and ranking. The framework adopted is outlined as below;

1

Identification of cities based on urban development initiatives for assessment of city with real estate growth potential

2

Identification of broad components-Demographic changes, Spending patterns, Socio economic patterns, Infrastructure and connectivity, City development patterns etc.

3

Selection of specific/relevant parameters that impact city growth and real estate market directly/ indirectly - 25 parameters

4

Assigning weights to the parameters based on their significance with respect to real estate growth

5

Data collection and compilation

6

Data processing and calculation of weighted average across parameters

7

Analysis and score aggregation

8

City ranking- classification of cities into Category A+, A, B

Component 1- Demographic and spending patterns

Population growth and projections were considered to understand demographic shifts and potential, ownership of household assets like cars, two wheelers, refrigerators and TV have been considered to assess consumer pattern in the city.

Component 2- Infrastructure index

Indicators such as basic transport connectivity, presence of social infrastructure like health care and education infrastructure are crucial to assess growth of the cities.

Component 3- City Development Indices

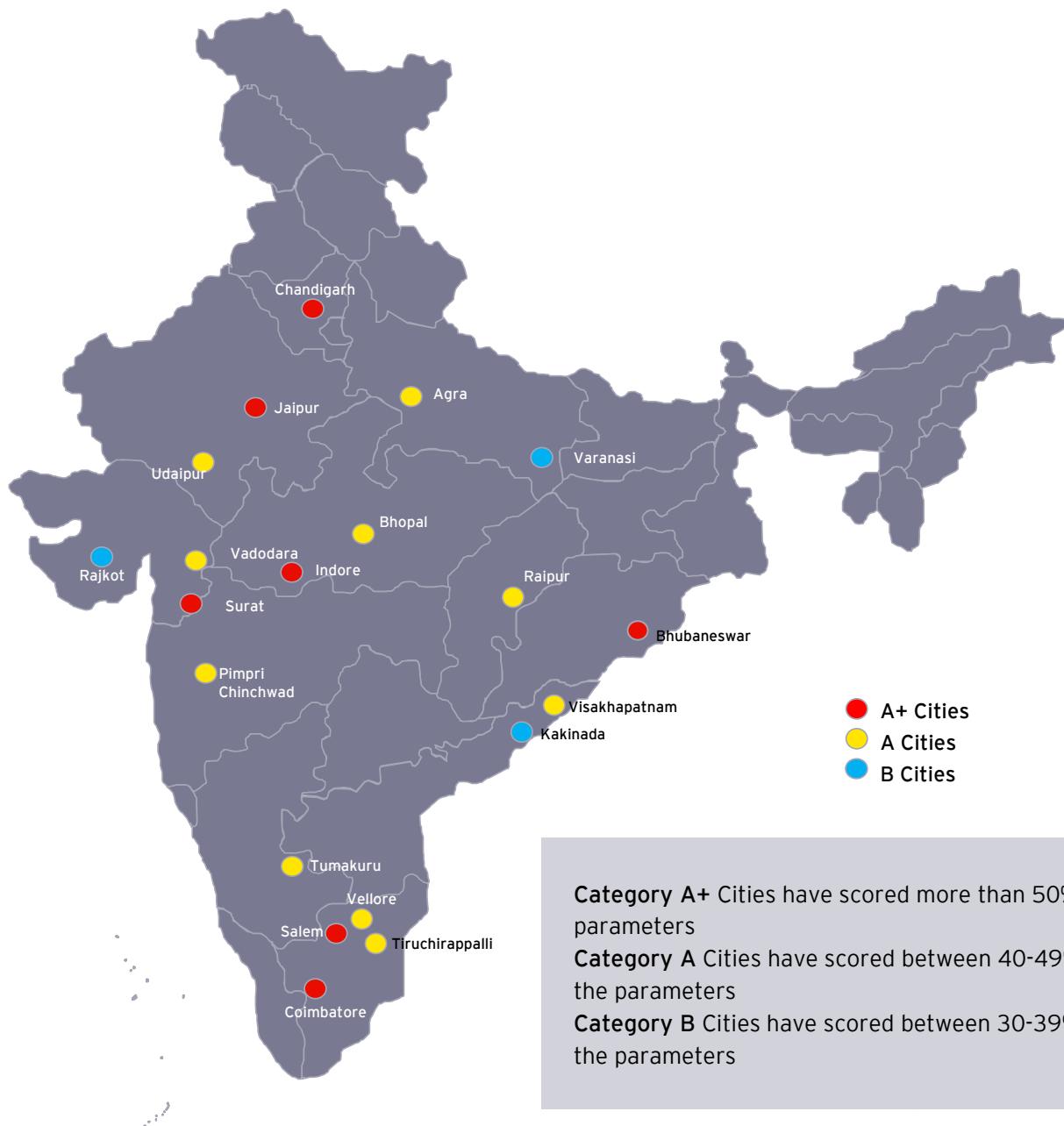
Public finance, ease of living index, municipal performance index, utilization of public funds has been assessed under this component, these parameters are majorly related to urban governance.

Component 4- Socio-economic parameters

Household income, number of section A households, poverty index and workforce availability are considered for assessment under this component.

City ranking

The top 8 cities (NCR, MMR, Bangalore, Chennai, Ahmedabad, Pune, Hyderabad and Kolkata) leading in the real estate sector are expected to grow at a steady pace. However, because of rising urbanization, population growth, high infrastructure demand and housing unaffordability in these cities, tier II and tier III cities are likely to be the next destination for real estate investors. The cities with high growth potential are as below;



Emerging Real Estate Destinations – 20 Cities with high potential

City	Rank Category	City	Rank Category
Indore	A+	Udaipur	A
Surat	A+	Raipur	A
Coimbatore	A+	Vadodara	A
Jaipur	A+	Vellore	A
Bhubaneswar	A+	Tiruchirappalli	A
Salem	A+	Agra	A
Chandigarh	A+	Tumakuru	A
Vishakhapatnam	A	Rajkot	B
Bhopal	A	Varanasi	B
Pimpri-Chinchwad	A	Kakinada	B



Sustainable development is crucial for preservation of environment & long-term prosperity

India, the world's fastest-growing major economy with a projected 7.0% growth rate in FY 2025^[65], is taking a pivotal role in addressing climate change. As an active participant in international climate discussions, India has made significant commitments to decarbonize its economy, lower greenhouse gas (GHG) emissions, and shift towards a sustainable energy future. These pledges, detailed below, are essential to the global goal of limiting temperature rise to below 2°C, as established in the Paris Agreement^[66].

Aspect	Details
International Agreements	Paris Agreement: India has committed to reduce its greenhouse gas emission intensity by 45% by 2030 from the 2005 level ^[67] .
Nationally Determined Contributions (NDCs)	Aims to achieve about 50% of its installed electricity capacity from non-fossil fuel sources by 2030, expanding renewable energy sources like solar, wind, hydro, and biomass ^[68] .
Renewable Energy Targets	Plans to install 500 GW of non-fossil fuel capacity by 2030, including significant investments in solar and wind energy ^[69] .
Energy Efficiency Improvements	Implementing programs like the Perform, Achieve, and Trade (PAT) scheme and the Standards & Labelling program to enhance energy efficiency across sectors ^[70] .

Policy framework and sustainable development

At the 2021 United Nations Climate Change Conference (COP26) in Glasgow, the Indian government committed to achieving net-zero carbon emissions by 2070^[71]. This goal requires policymakers in India to implement effective strategies to offset carbon emissions across all sectors. The real estate sector, which is set for rapid growth and serves as a key economic driver, is responsible for 40% of global emissions^[72]. According to the World Economic Forum, it also consumes 40% of the world's energy and raw materials. Thus, reducing the carbon footprint of the real estate sector is essential for meeting the government's net-zero target. Currently, the industry is in the early stages of adopting sustainable practices, such as the India Green Building Council (IGBC) norms, which aim for net-zero carbon buildings by 2050^[73].

CREDAI on Achieving Net Zero

CREDAI has proactively set ambitious sustainability goals for the real estate sector, focusing on the development of carbon-neutral homes and resource-friendly projects. The association aims to achieve a net-zero target by 2050, through the creation of certified eco-friendly housing, expanding green spaces, and promoting healthy, sustainable living practices.

[65] International Monetary Fund- <https://www.imf.org/en/Countries/IND>

[66] <https://www.un.org/en/climatechange/paris-agreement>

[67] PIB release by Ministry of Environment, Forest and Climate Change, 22.12.22

[68] PIB release by Ministry of Environment, Forest and Climate Change, 03.04.23

[69] PIB release by Ministry of new and renewable energy, 05.04.23

[70] <https://beedinia.gov.in/en/programmes/perform-achieve-and-trade-pat>

[71] PIB release by Ministry of Environment, Forest and Climate Change, 03.02.22

[72] United Nations Environment programme- Climate change news

[73] <https://www.weforum.org/stories/2024/06/building-sector-climate-change-construction-materials/>

Key initiatives by Government of India

Initiative	Description
National Action Plan on Climate Change	Launched in 2008, it outlines strategies for climate change adaptation and mitigation, emphasizing energy efficiency and natural resource conservation. Key missions include:
	National Mission on Sustainable Habitat: Focuses on sustainable urban development through energy efficiency, solid waste management, and public transport
	National Mission on Enhanced Energy Efficiency: Aims to increase the energy efficiency market through innovative policies and market instruments.
Energy Conservation (EC) Act, 2001	Establishes a framework for energy efficiency and conservation in India. Key provisions include:
	Designated Consumers, Standards and Labelling of Appliances, Energy Conservation Building Codes, Institutional Setup, and an Energy Conservation Fund
	Mandates compliance for large energy consumers and commercial buildings with specific energy standards and building codes
Environment Impact Assessment (EIA)	Overseen by the Ministry of Environment, Forests and Climate Change (MoEFCC), it requires environmental clearance for large-scale projects
	Mandatory for buildings over 20,000 sq. m., aimed at minimizing environmental impacts
	Fast-track clearance available for projects pre-certified by green rating agencies (IGBC, GRIHA, LEED)
	Local governments may offer incentives for green buildings, including additional Floor Area Ratio (FAR), tax rebates, and waived fees
Bureau of Energy Efficiency (BEE)	Working to make the Energy Conservation Building Code (ECBC) mandatory for commercial buildings nationwide, promoting energy efficiency standards

Source: Promotion of Green Building, Training Manual by Ministry of Housing and Urban Affairs

Key Initiatives by various state governments

The state governments in India are offering incentives for certified buildings, including additional free Floor Area Ratio (FAR)/Floor Space Index (FSI), tax benefits for developers, low-interest loans, and expedited approvals. To ensure a long-term, sustainable impact, it is crucial for all states to provide similar incentives, encouraging developers to align their activities with the country's net-zero goals.

State	Ministry	Additional Free FAR		
		Silver	Gold	Platinum
Punjab	Department of Local Government (Town Planning)	5.00%	5.00%	
	Department of Housing and Development, Govt of Punjab	5.00%	7.50%	10.00%
Rajasthan	Urban Development Department	7.50%	10.00%	15.00%
West Bengal	Kolkata Municipal Corporation	10.00%	10.00%	
	New Kolkata Development Authority	10.00%	10.00%	
Uttar Pradesh	Housing and Urban Planning Department		10.00%	10.00%
	Greater Noida Industrial Development Authority	5.00%	5.00%	
Himachal Pradesh	Town & Country Planning Department	10.00%	10.00%	10.00%
Jharkhand	Urban Development and Housing Development	3.00%	5.00%	7.00%
Haryana	Town & Country Planning Department	9.00%	12.00%	15.00%
Maharashtra	Urban Development Department	3.00%	5.00%	7.00%
	Pune Municipal Corporation (PMC)	3.00%	5.00%	7.00%
	Pune Metropolitan Region Development Authority (PMRDA)	3.00%	5.00%	7.00%

Source: <https://igbc.in/governmentincentivestoigbc>

Case-studies / initiatives by states to promote sustainable development

Across various Indian states and cities, governments are actively promoting green building practices through a range of initiatives, guidelines and incentives.

State/City	Initiative/Guideline	Incentives/Features	Year Introduced
Telangana	Telangana Energy Conservation Building Code (TSECBC)	ECBC compliance integrated with building plan approval system (DPMS) for energy efficiency in building construction through urban local bodies (ULBs)	2017
Chandigarh	Chandigarh Master Plan 2031	Mandatory 3-Star GRIHA rating for public buildings, adoption of green building concepts, sustainability measures including energy, water, and material efficiency	2031 (target)

State/City	Initiative/Guideline	Incentives/Features	Year Introduced
Pimpri Chinchwad (PCMC)	PCMC Green Building Initiatives	GRIHA certification for municipal buildings; incentives for developers and homeowners (discounts on premiums and property taxes for GRIHA-rated projects)	2011
Haryana, Himachal, Jharkhand, Maharashtra, Rajasthan, Punjab, Uttar Pradesh	Non-fiscal incentives for IGBC/GRIHA/LEED certified projects	Additional free of cost Floor Area Ratio (FAR) in the range of 3%-15% for certified residential and non-residential projects	-
Punjab	Fiscal incentives for IGBC/GRIHA/LEED certified projects	100% exemption of building scrutiny fees, 2.5%-7.5% rebate on development charges	-
Rajasthan	Fiscal incentive for technology suppliers for large industries and MSMEs	Reimbursement of 50% of the amount paid for green technology (excluding civil work) to obtain Green Building Rating	-
Tamil Nadu	Fiscal incentives for developers, owners, and consultants	Reimbursement of 25% subsidy on total fixed capital investment (excluding land cost) for projects that obtain a Green Building Rating	-
Andhra Pradesh	Andhra Pradesh ECBC (APECBC 2017) and green building incentives	Mandatory ECBC compliance, 25% subsidy for industrial projects, property tax rebate for certified projects, 20% reduction in building permit fees and stamp duty	2017
Gujarat	Fiscal incentives for hotel and wellness building developers/owners	Reimbursement of 50% of the certification fee, with a maximum limit of INR 10 lakh for IGBC/GRIHA/LEED-rated hotels and wellness resorts	-

Source: NIUA-Green Building Adoption 2022, NIUA-Green Building Promotion 2022

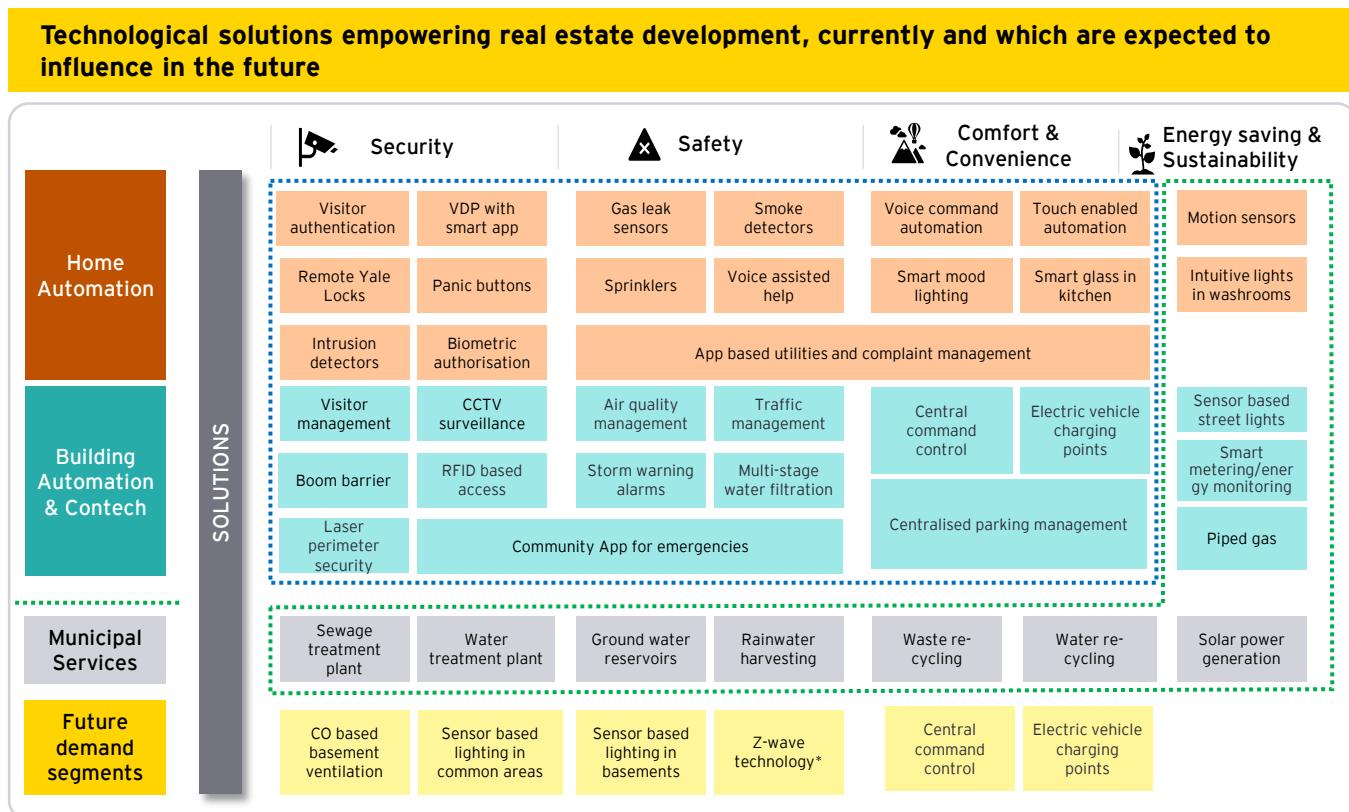


Technology and innovation are the driving forces of real estate industry transformation

The integration of technology has streamlined and accelerated processes such as property searches, transactions, and registrations, making them more efficient. The rise of PropTech (property technology) has been key to enhancing the efficiency of property searches and transactions. Cutting-edge technologies like Artificial Intelligence (AI), Machine Learning (ML), the Internet of Things (IoT), and Building Information Modelling (BIM) have been revolutionary in modernizing traditional practices within the real estate sector.

Based on EY estimation the current market penetration for ICT/PropTech based solutions in the entire real estate sector is US\$10.5b in 2023 which is less than 5% of the overall real estate market size.

Technology has changed the business operations in the real estate sector, and is perceived well in the market as shown below:



* Z-wave technology creates a wireless mesh network, which is a collection of devices that link up and communicate with each other without wires. Signals are sent on over low-energy radio waves on a dedicated frequency which is almost 2.5 times less than frequency of wi-fi. This leads fewer congestion problems in Z-wave technology.

Source: Primary interviews, secondary research, EY analysis

Home automation for residential development has created a niche market as more and more residential developments are being upgraded/ featured in the home automation list. In the last decade, the average ticket size for a home automation for an apartment has increased from INR0.2m to average value of around INR0.5~5m. There is huge market from home automation and related services going forward, as tech becomes the new enabler for ease of living^[74].

Building automation and ConTech:

These technologies are playing a pivotal role in the way developments are planned, created and managed. Specific tools like, CCTV Services, boom barriers, air quality, traffic management, central command system have become the pivotal parameters around which new developments are being managed and operated. Data mining and machine learning being the buzz words, more and more developments are using and collecting data through technology, to make sure that the lives of residents and people who are working in these developments are synchronised and efficient. The most important advantage that tech has brought in terms of building management is actually savings of cost. Through advance technology and interventions building management cost in the last decade has seen a significant reduction.

PropTech improves efficiency and facilitates real estate activities, including buying, selling, leasing, managing, appraising, financing, marketing, developing, designing, building, and investing and need for cost-effective, efficient, and faster construction has enabled the usage of innovative technologies.

Important PropTech/ConTech interventions and their benefits

PropTech/ ConTech Interventions	Description	Benefits
 Smart lighting	Voice / app controlled, or sensor controlled (no manual intervention)	60~70% Energy Savings
 HVAC Automaton	Voice / app controlled, or sensor controlled (no manual intervention)	25 ~ 30% Energy Savings
 Building Information Modelling	Improve the efficiency of managing the services	25% to 30% increase in productivity and 10% savings of energy over the lifetime of the asset
 Nano Based Technology	Achieve high strength and durability	Lower the operating and maintenance time and cost
 Offsite Construction and Pre Cast Systems	Faster assembly through centralised production	Residential projects through pre-cast complete 15% faster

[74] Primary interviews, secondary research, EY analysis

 Energy metering	Provides Real time energy usage monitoring (RTM) on web/mobile app	Benefits- RTM, theft detection and remote ON/OFF control
 Smart water meters	App controlled smart meters attached to each water inlet of a residential unit	Water savings: 65 ~70%
 Smart water management	App displays real time data on water quality parameters of water entering homes, pools, and exiting WTP and STP	Water recycled: 70~75%

Source: Primary interviews, secondary research, EY analysis

Municipal services:

As the top 7 cities get congested and sustainable development is the new buzz word, smart interventions in municipal related city development services is also becoming very critical in city management development, certain aspects like effective sewage treatment plan, water treatment plan, rainwater harvesting, wastewater recycling, solar generations are being made mandatory by respected respective municipal corporation for better city management.

Future demand segment:

As and when we are entering into new demand segment and cities are getting into new problematic areas like, pollution, flood management system, sustainable development, sudden technologies like CO based ventilation, sensor-based lighting in common area, Z wave technologies etc, are expected to drive the future of technological intervention in the area of real estate.

PropTech is shifting from the traditional role as facilitators to growth drivers in the real estate sector. The integration of propTech is enhancing the operation efficiency, streamlining automation, reduce expenses and improving margins in the real estate sector. Proptech which is in conjunction with 'Digital India', the government of India's flagship initiatives to transform the nation into a digital empowered economy. PropTech startups in India increased by 48% post the pandemic (2020 till date)^[75]. This indicates the importance and acceptance of the PropTech market in India.

The PropTech market is expected to be ~US\$600b by 2047, which will be ~12-13% of the overall RE sector^[76].

New sustainable technologies which are being adopted are given below:-

3D Printed Homes	Low-Cost Construction Materials
<p>3D printed homes reduce construction time and lower costs as the properties are estimated to be at least 20% cheaper than traditionally built homes.</p> <p>In Texas, the world's largest community of 3D printed homes is being built, with 100 such properties being constructed as part of a wider development in Georgetown called Wolf Ranch^[77].</p>	<p>Indian Government is in the process of constructing homes with glass fibre reinforced gypsum (GFRG).</p> <p>The cost of constructing a GFRG home can be 20-30% cheaper than that of a bricks-and-mortar property, due to the low prices of gypsum, the reduced need for cement and steel, and reduced labour costs^[77].</p>

Source:<https://www.weforum.org/stories/2024/06/global-housing-crisis-practical-solutions/>

[75] Startup India

[76] Primary interviews, secondary research, EY analysis



India's debt to GDP ratio at 55% is one of the lowest globally

Private equity and structured finance have witnessed increased penetration in funding of corporate real estate in the recent past. However, the dependence on banks and NBFCs can be concluded on the fact that over ~80% of construction finance still is derived from traditional sourcing of funding.

The sectoral credit deployment in commercial real estate has witnessed a CAGR of 12% over the last ten years^[77]. This consistent increase in credit allocation shows the positive outlook of the commercial real estate sector. Increased demand from IT/ITeS, GCCs, BFSI, and traditional industries for large scale grade A office spaces have meant that the sector has continuously grown over the last decade. Grade A absorption has been consistently witnessed in the range of 45-60m sq. ft per annum. Increased demand dynamics, Tier 2 cities being new demand epicentres and REITS facilitating fractional ownership of real estate would only mean that the sector is expected to exhibit heightened growth over the next decade and thereafter. In line with these demand dynamics commercial real estate is expected grow at a CAGR of 12% over the next 12 years. The credit deployment in commercial real estate is expected to be ~US\$500b by 2047^[78].

The residential sectoral credit deployment has grown at a CAGR of 14% over the last decade. With rapid urbanisation the credit deployment in the sector is going to increase to meet the diverse housing developments from affordable homes to luxury high rises, the growth of credit deployment in residential sector is expected to grow at a CAGR of 14-18% over the next 10 years, as the segment matures the growth is likely to stabilize at ~8-12% over the next 12 years. The residential sector is expected to be ~US\$7200b by 2047 as credit is the bridge for homeownership for many^[79].

[77] EY Analysis

[78] RBI, EY Analysis, EY Estimates

[79] Economic Survey 2023-24, EY Analysis, EY Estimates

There are a variety of funding options available for developers across the project lifecycle, in order to understand further the split of the total project cost as per the development stage is given below:



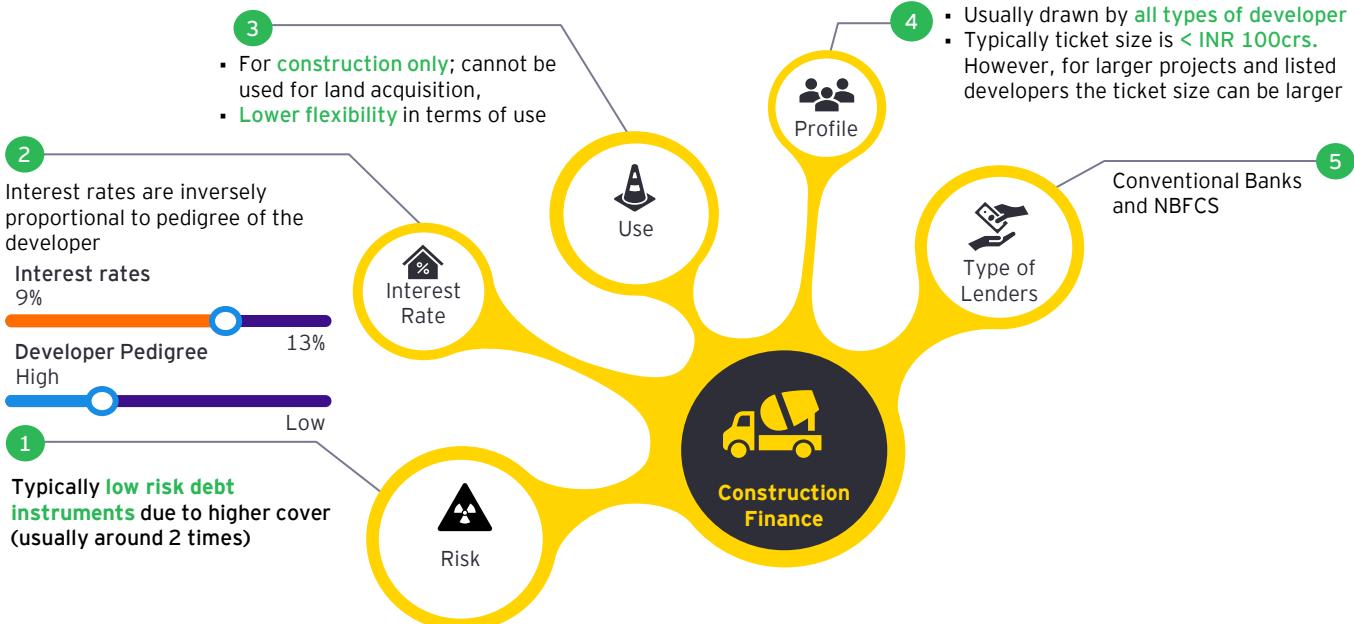
Source: Secondary research, EY analysis

- With the introduction of RERA norms have limited the use of cash flows from customers
- Construction finance is generally preferred owing to lower cost of funds
- Structured finance offers flexibility in commercial terms, at the cost of high IRRs

Construction and structured finance

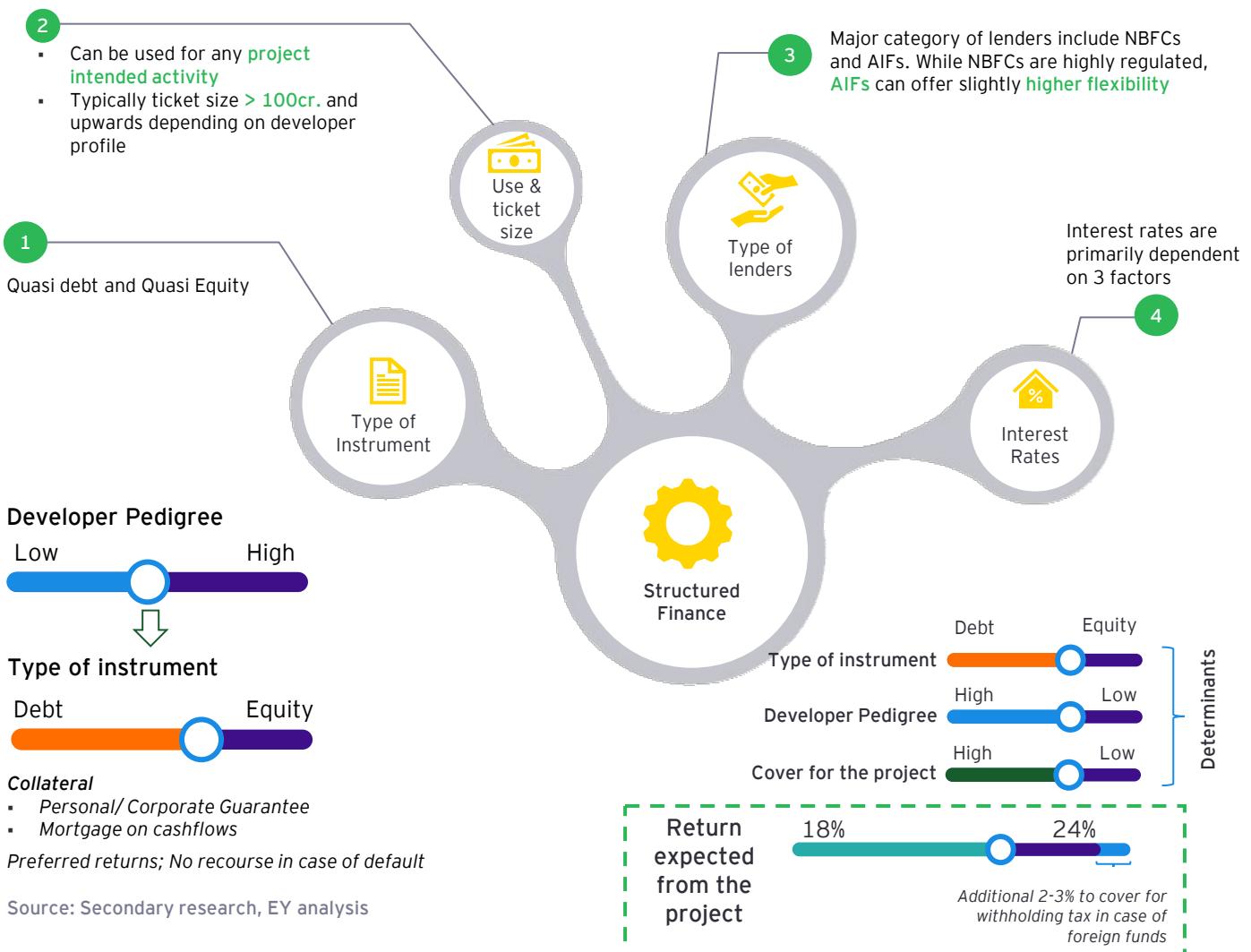
India's construction debt market is dominated by the residential sector accounting for approximately 70% of the total market size, with the rest 30% led by the office segment, followed by retail, warehousing, hospitality and alternative asset classes like data centres etc.^[80] The illustration below depicts the various facets of construction and structured finance

[80] Secondary research, EY analysis



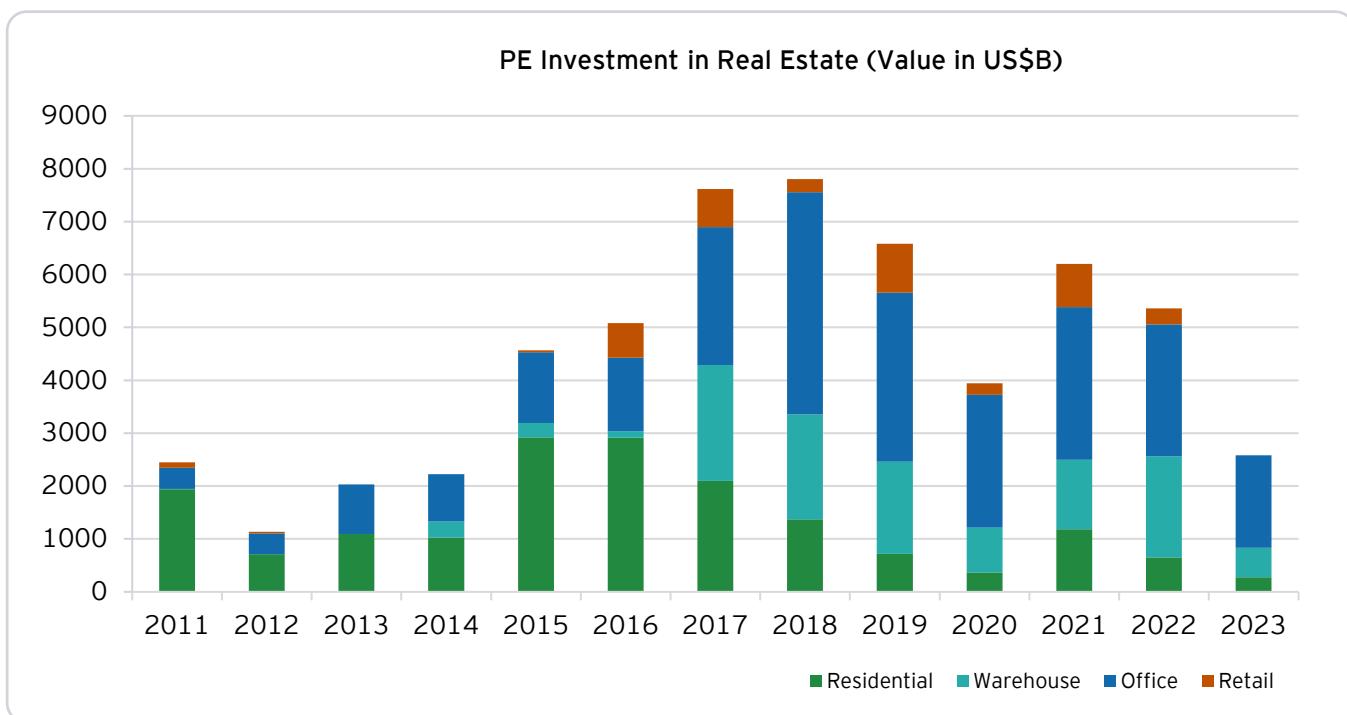
Source: Secondary research, EY analysis

Structured Finance



Private equity in real estate

The real estate sector in India has experienced the power of policy support in the last decade. Initiatives like RERA (Real Estate Regulatory Authority), FDI (Foreign Direct Investments) relaxations, GST Goods & Services Tax), and bankruptcy codes have transformed the sector, making it better regulated and structured. This drew foreign investments, initially into the office and residential segments, and more recently, into new-age asset classes, all of which are good signs of a growth economy. Sustained economic growth with continued policy reforms catalyzed these investments further, especially the private equity investors that invested US\$10.7b in the last three years (2021-2023), spread across just under 100 deals^[81]



The office segment, a well-established asset class in India, garnered the maximum share at 51% over the last three years, followed by industrial and warehousing at 20%. As investors shifted their focus onto other asset classes, investments diversified into sectors like data centres, life sciences, student housing etc. Based on recent trends there is a rising interest in land transactions, diversification into RE alternatives, Going forward commercial office, alternatives, life sciences RE, Data centres are expected to be areas of interest for the investors^[82]

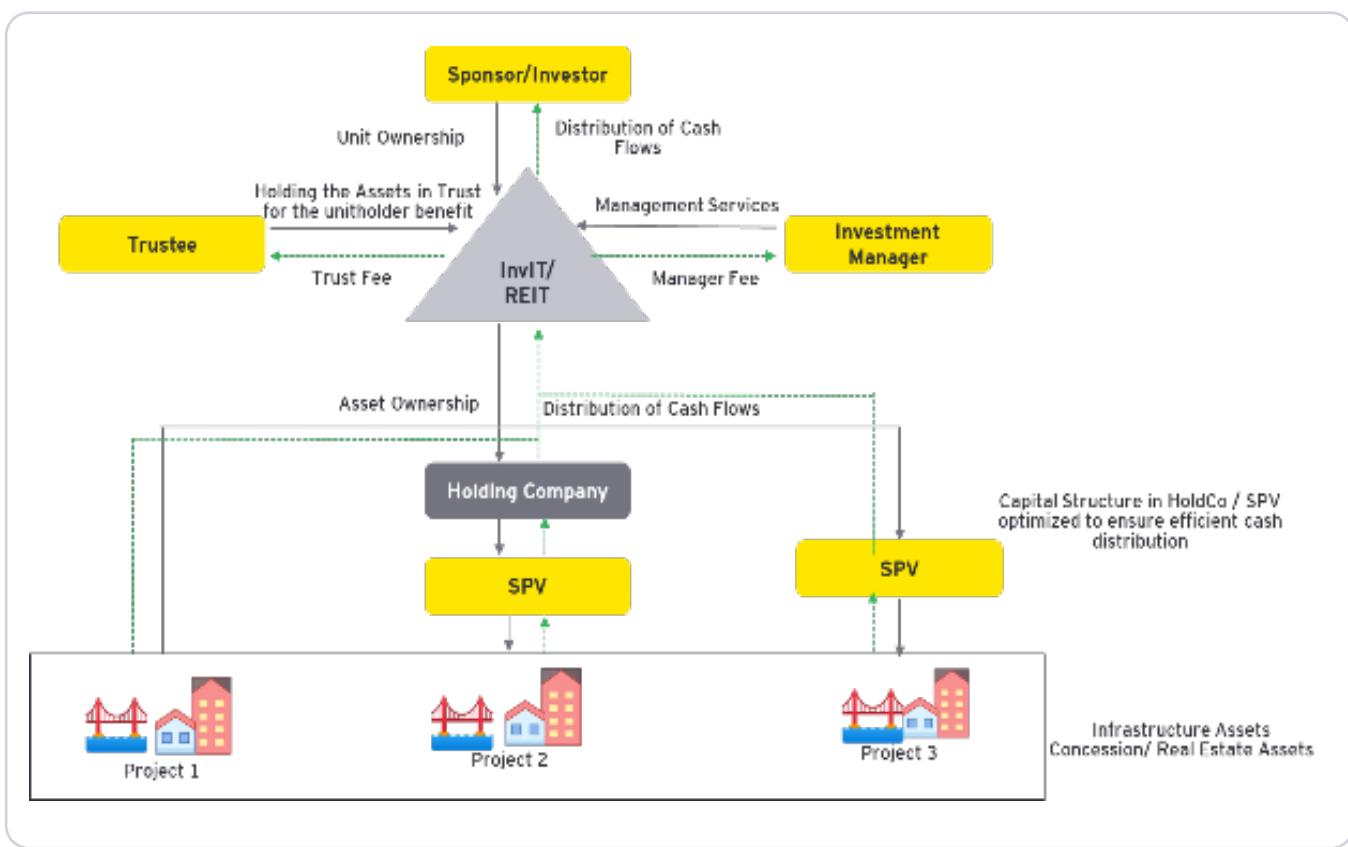
[81] EY Internal Database, EY Analysis

[82] EY Internal Database, EY Analysis



REITs and INVITs are enabling fractional ownership in real estate

REITs and InvITs aim to broaden access to investing in operational real estate or infrastructure assets for various investors, including those at the retail level. These operational assets typically provide consistent cash flow with minimal daily management, appealing to both long-term and retail investors seeking reliable income. The illustration below depicts the structure of REIT/ InvIT and its various stakeholders.



Source: India REIT Association(IRA)

The Securities and Exchange Board of India (SEBI) introduced REITs and InvITs in 2007 and finalized the regulations by 2014. From inception until September 2024, REITs and InvITs have raised over US\$16.8 b^[83].

The United States is the largest market, featuring 205 listed real estate firms, including 162 REITs, with a collective market capitalization of US\$1.323t. Australia follows with 38 entities valued at a market capitalization of US\$126.01b, and Japan has 58 entities valued at US\$104.25b. The success of the US REIT model has spurred growth in the sector, leading to the establishment of REITs in over 35 countries, including all G7 members^[84].

[83] Global Real Estate Total Market Table by European Public Real Estate Association

[84] Global Real Estate Market by European Public Real Estate Association

Following table illustrate the Indian REIT performance since inception [85] & [86].

Name of the REIT	Sector	Issue date	Issue Price	Current Price*	YTD growth	Dividend Yield
Embassy Office Parks REIT	Office	01.04.2019	300	367.99	22.7%	5.50-6.0%
Mindspace Business Parks REIT	Office	07.08.2020	275	376.93	37.1%	5.50-6.0%
Brookfield India Real Estate Trust	Office	16.02.2021	275	282.70	2.8%	6.0-6.50%
Nexus Select Trust	Retail	19.05.2023	100	141.17	41.2%	5.0-5.50%

*As on date: 21.11.2024, National Stock Exchange

With 4 No. of REITs, US\$11.19b market capitalization India stood with an index weightage of 0.4% [87].

Launch of small and medium real estate investment trusts (SM REITs)

On March 8, 2024, SEBI rolled out regulations for small and medium REITs. The new rules aim to regulate fractional ownership platforms, where investors collectively fund real estate through SPVs. Targeting leased commercial properties, these platforms cater to HNIs, NRIs, and OCIs and are now overseen by SEBI to protect investors and maintain market integrity, reflecting the growth of India's REITs. As on September 2024, Two SM REIT are registered under the retail category [88].

Small and Medium Real Estate Investment Trusts (SM REITs) are going to play a game changing role in India. The concept of fractional ownership through SM REITs allows multiple investors to co-own premium Grade A properties with smaller capital outlays, making real estate investment more accessible.

The key differences between traditional REIT and SM REIT are illustrated below.

Parameter	REIT	SM REIT
Primary Stakeholders	Sponsor, Investment Manager and Trustee	Investment Manager Trustee
Asst Size	At least INR500 crore	INR50 - 500 crore
Minimum offer size	INR500 crore	INR50 crore
Borrowing	Through listed debt	Borrowing or listed debt
Minimum subscription	INR10,000- 15,000	INR10 lakh
Public Holding	Min 25% of outstanding units	Min 25% of outstanding units
Asset Class under offer	Until now, office and retail	Any asset class
Stage of accountable assets	80% of the assets must be fully developed and generating revenue	95% of the assets must be fully developed and generating revenue
Foreign Investment	Allowed	Allowed
Failure to list	Surrender of registration	15% interest to investors
Borrowing	Through listed debt	Borrowing or listed debt
Minimum subscription	INR10,000- 15,000	INR10 lakh
Public Holding	Min 25% of outstanding units	Min 25% of outstanding units

Source: Assocham National Conference Report on Changing Dynamics of Real Estate for Viksit Bharat

[85] Based on REIT Individual Annual Report
 Mindspace Business Park REIT, Q2 FY 25, Investor Presentation
 Embassy Office Parks REIT Q2 FY2025 Earnings
 BIRET_Q2_FY2025_Investor_Presentation
 Nexus Select Trust Q1 FY25 Earnings Update
 [86] National Stock Exchange

[87] S&P Dow Jones Indices as of Sept 2024
 [88] Securities and Exchange Board of India

Expanding asset segmentation:

In the last half-decade, India has witnessed the launch of four real estate investment trusts (REITs) targeting the office and retail segments. However, USA has 13 segments followed by UK with 11 segments, Singapore with four segments. Based on market maturity comparison 80% of listed realty companies have REIT participation whereas in USA whereas in India it is <5%. Considering the growth trajectory of Indian real estate markets, the market penetration is expected to increase substantially by 2047. With a market capitalization to GDP ratio of just 1% for these Indian REITs, there is considerable room for expansion within the sector^[89].

Penetration of SM REITs:

Fractional ownership is revolutionizing investment by enabling multiple investors to own shares of high-value assets through structures like SM REIT, making it affordable and diversifying risk. This approach is gaining popularity in India, especially in the luxury holiday home market, where investors can buy just a fraction of a property. It opens up opportunities previously reserved for the wealthy and large corporations to retail and middle-class investors, offering access to real estate and other alternative assets with the promise of solid returns and enhanced portfolio diversification. While already established in Western countries, fractional ownership in India is expanding into commercial, industrial, and residential sectors, with global markets offering even broader options including retail spaces, art, and luxury items^[89].

Rationalizing the REIT tax regime:

A REIT will pay no US income tax if it distributes all of its net income to its shareholders, whereas Indian REITs are taxable. Additionally, there are several tax incentive parameters that position US REITs more favourably, such as the ability to deduct distributed taxable income, thus avoiding double taxation, and the reduced withholding tax rates for foreign shareholders under tax treaties. Therefore, incidence of tax on REITs should be discussed to make the asset class more favourable to the Investors in India.

[89] EY Research



Taxation in real estate

The real estate sector is a significant contributor to the overall tax revenues of the country. The swift urbanization and corporate sector expansion have increased the demand for contemporary residential and commercial properties, alongside a diversification into segments such as warehousing, co-working spaces, data centres, student housing and propTech solutions.

Taxation in real estate lies with both the State and Union Governments in India. Property Tax, Stamp Duty, Registration charges, and Vacant Land Tax are levied by the state governments and Urban Local Bodies. Taxes such as MAT (Minimum Alternate Tax), Corporate Tax, GST (Goods and Services Tax), and Income Tax are levied by the Union Government. The following table illustrates the different taxes in the real estate sector that are levied at different stages;

Tax Structure in Real Estate Sector

Investing in the Property

- Stamp Duty : 5%-15%
- Registration Charges as applicable
- Taxes applicable for setting up of a Company

Construction/ Development and holding and leasing of the Property

- Minimum alternative tax (MAT) : ~10-15%
- Corporate Tax : 25-30%*
- GST on Construction Material : 5-12%
- GST on Services 1% GST on affordable housing projects and 5% on other projects
- Property Tax as per the state legislation
- Income tax on Rental Income
- 18% GST on Rentals

Selling out the Property

- Capital Gain ~10-20%
- Minimum alternative tax (MAT) : ~10-15%

* Not be applicable to a company opting for concessional tax rate of 22%, includes basic taxes for Indian companies

Source: EY Research

The opinions provided in this section is generic in nature. A detailed tax advice is required on the above issues.

Select issues being faced by various stakeholders in real estate taxation

GST related issues

Issue 1: Post-GST, real estate transactions still incur state-specific registration and stamp duty fees for both constructed and under-construction properties, but GST applies only to the latter.

Issue 2: TDR involves landowners transferring development rights to developers for money or property shares, considered a 'service' for GST purposes, despite the immovable nature of land under the General Clauses Act, 1897, leading to developer uncertainty.

Issue 3: Developers cannot claim GST input tax credits (ITC) on construction costs for properties built for commercial activities like shops or hotels. If the property generates rental income, landowners must pay GST on that income without claiming ITC on construction-related GST already paid.

Issue 4: FSI is the approved construction limit on land to prevent overburdening the ground, with developers paying GST on this permission as a 'service' atop authority fees, often increasing costs due to multiple required approvals.

Issue 5: TDR transactions, where landowners transfer development rights to developers for compensation, are taxed as a 'service' under GST, causing developer confusion due to the non-taxable status of immovable property like land.

REIT

REITs face challenges due to their mixed tax treatment; while they provide a tax pass-through for specific income types, they must pay taxes on capital gains. Furthermore, any distributions to investors above the unit's issue price are subject to taxation. The taxation extends to the sale of REIT units, which are liable for both short-term and long-term capital gains taxes, thereby diminishing the tax benefits for investors.

Tax incentives

Investment-linked tax deductions in India are confined to select asset classes like slum redevelopment and affordable housing, limiting the 100% capital expenditure deduction to a narrow range of projects.

Real estate taxation in different countries

In contrast to India's real estate taxation system, which involves local, state and national governments, other nations employ a tax structure that includes local, provincial and federal levels. A comparative analysis of the various real estate taxes applied in countries like the United States, Australia, the United Kingdom, and China is presented below.

Tax Component	United States	Australia	United Kingdom	China	India
Stamp Duty	Not applicable	6.50%	5%-12%	Deed tax 3-5% Stamp Duty on sale 0.05% to 1%	5-15%
GST/VAT on purchase of property	Not applicable	10%	20%	5-9%	12%
Capital Gain Tax	21%	12.5 -30%	18-28%	Land Value appreciation tax 30-60%	10 - 40%

Tax Component	United States	Australia	United Kingdom	China	India
GST on purchase	Not applicable	10%	5-20%	Not applicable	1% GST on affordable housing projects and 5% on other projects
Land Tax	Yes	2-4%	Not applicable	Not applicable	Not applicable
Local Council Tax	Ad valorem tax varies jurisdiction to jurisdiction	Varies council to council	Not applicable	Land utilization tax - upto \$4.2 per Sqm Education sur tax 3% Local education sur tax 5%	Not applicable
Corporate Tax	21-37%	30%	19-25%	25%	30%
Rental Income	30%	15- 30%	25%	1-3%	GST 18%
Other Taxes	<ul style="list-style-type: none"> ▪ Net Investment income Tax : 3.8% ▪ Withholding tax 30% ▪ Income tax and Branch profit tax 44.7% ▪ Alternative minimum tax (AMT): 28% ▪ Gift Taxation: 40% 	Not applicable	Residential Property Developer Tax (RPDT @4%)	Withholding tax 10% Surtax- 1%-7%	Minimum alternative tax (MAT) 10 -15% Sale of Property 20% Gains on transfer of the securities in REIT 10%-30%

Source: EY Research

Among the countries, the United Kingdom has the highest property tax collection as a percentage of GDP, contributing 4.07%, followed by the United States at approximately 3%, and Australia at around 2.70-2.90%. China has one of the lowest rates, at approximately 1.40%. In comparison, India's property tax contribution is about 0.01%, which is one of the lowest in the world^[90].

[90] IMF- Property Tax Revenue in Percent of GDP data till 2020.

Simplification of tax codes:

The government has prioritized streamlining the income-tax laws and GST codes, expressing a clear intention to eliminate various deductions, exemptions, and allowances in favor of a more straightforward tax system. Over time, it has eliminated numerous tax advantages and lowered the average tax rates for both corporations and individuals.

Transparent valuation processes:

Implementing Geographic Information System (GIS) technology to enhance property assessments, allowing for more accurate and transparent valuations based on spatial data and market trends. GIS based property assessments are at very nascent stage in India. Till now, GIS based property assessments are limited to Major Municipal Corporations and shall be expanded to all the ULBs.

Payment of taxes:

In recent years, India has implemented strategic tax reforms to attract investment and stimulate economic progress. These reforms have aimed to enhance competitiveness with lower direct tax rates, simplify tax laws, and introduce technology-driven administration for easier compliance and reduced litigation. Despite these improvements, tax uncertainty persists, often due to contentious tax disputes and ambiguities in rule drafting. Additionally, the resolution of these disputes through Alternate Dispute Resolution (ADR) mechanisms can be slow due to limited capacity and resources.

Targeted tax incentivization:

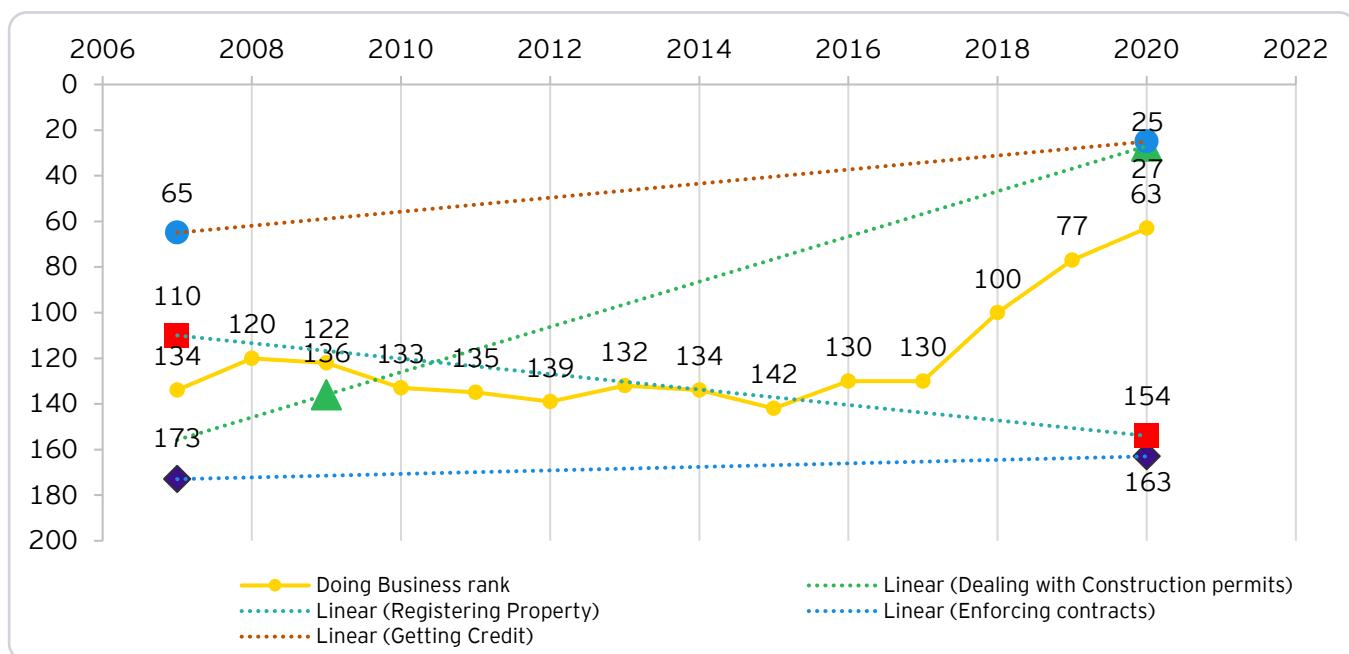
Tax incentives should be carefully designed to target specific policy goals, such as revitalizing certain areas, promoting the construction of affordable housing, or encouraging the use of renewable energy. These incentives should be regularly reviewed to assess their effectiveness and adjusted as needed.

The opinions provided in this section is generic in nature. A detailed tax advice is required on the above issues.



Ease of doing business and regulatory compliance burden

India's upward trajectory in the World Bank's "Doing Business Index" demonstrate its concerted efforts to reduce the compliance burden and ease regulatory provisions in the real estate sector. India's position has improved from 138 in 2006 to 63 in 2019^[91]. Out of 10 indicators considered for ranking of 190 economies, dealing with construction permits, property registration, enforcing contracts and access to credit have direct impact on real estate sector.



Dealing with Construction Permits

Integrated portal for granting clearance for construction has resulted in improvement of rank under this indicator

Access to Credit

Amendment in insolvency law strengthened access to credit in India, which improved the score under this indicator

Property Registration

India lags in reduction of Time, Cost, Procedure involved in registering a property- affected the rank under this indicator

Enforcing Contracts

Increased no. of commercial courts helped in speedier disposal of commercial disputes and reduce pendency

The Indian government has been actively implementing progressive reforms to enhance the business climate by streamlining the existing regulations, procedure, processes and eliminating redundancies. Steady advancements in these areas are expected to propel India into the top 50 nations for ease of doing business in the years ahead.

[91] World Bank Doing Business report 2007 and World Bank Doing Business report 2020.

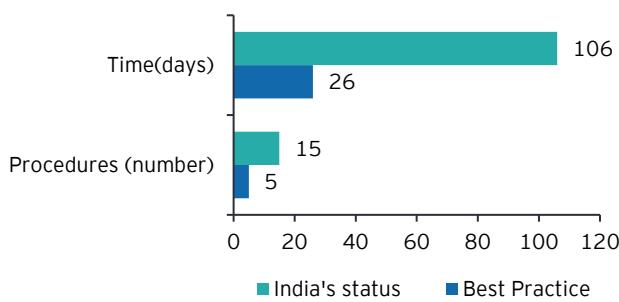
Initiatives under doing business assessment	Impact on real estate sector
Digitization <ul style="list-style-type: none"> An online single window system has been introduced integrating internal and external departments (NoC issuing authorities) Auto DCR based building plan approvals. Auto-trigger post property registration- mutation in property tax, utilities connection records Integrated Property Registration Portals have been launched for search of land/property title and encumbrance 	Eliminated requirement of physical visits to multiple authorities, increased transparency in the service approvals and property transactions
Streamlined regulations and processes <ul style="list-style-type: none"> Introduction of unified building bye-laws across state have been introduced Risk based classification of buildings has been introduced Notarized certificates or affidavits for building plan approval has been substituted with e-undertaking 	<ul style="list-style-type: none"> Clarity of information for developers with comprehensive list of requirements under multiple laws and zonal regulation under local bodies w.r.t. building permissions and inspections Resulted reduction of cost to businesses, procedure, and overall documentation
Deemed approvals or self-certification Introduced deemed approval or self-certification, if approvals are not granted within defined timelines	Reduced project delays and ensured timebound delivery of services
Inspections <ul style="list-style-type: none"> Introduction of single joint inspection across construction permits (as applicable) Computerised allocation of inspectors 	Ensured fast track building plan approvals and inspections
Minimize regulatory compliance <ul style="list-style-type: none"> Removal of redundancies in Regulations and Act Government Process Reengineering of G2B clearances w.r.t in time, cost and steps involved in application process Decriminalisation of imprisonment clauses for minor offences defined in Acts/Rules 	Reduced compliance burden, attracted investments

Source: World Bank Doing Business Report

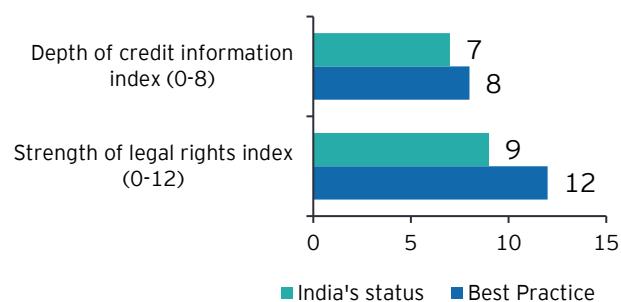
Despite the introduction of reforms favouring the real estate sector, India still grapples with providing an environment that fully supports the expectations of investors and developers. Issues like difficulties in land acquisition, slow judicial process, market transparency etc., persists, which requires continued efforts with introduction and implementation of reforms pertaining to real estate regulations, procedures, and speed of litigation across states as a part of State Business Reforms Action Plan by GoI.

India in comparison with the best

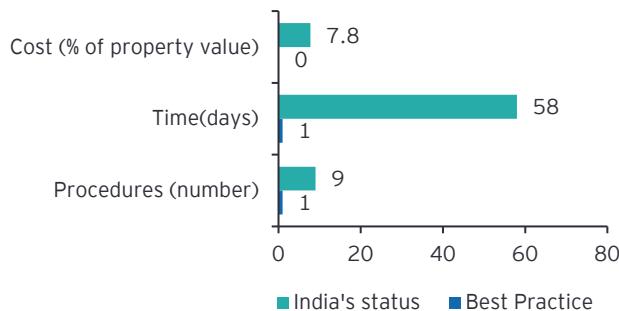
Dealing with Construction Permit



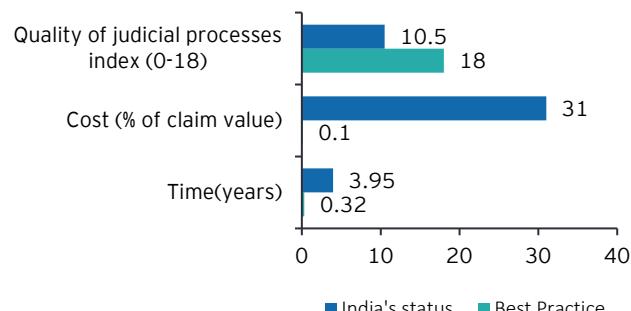
Getting Credit



Registering Property



Enforcing Contracts



Source: World Bank Doing Business Report

India has the potential to enhance the ease of doing business within the real estate sector by incorporating several international best practices, thereby improving its position in the global ease of doing business rankings and attracting a higher volume of domestic and international investments.

'Doing Business' in future India

Adoption of single business ID

The implementation of a Unique Business ID (UBID) in India would simplify regulatory compliance, enabling real estate companies to manage their registrations and licenses more efficiently. This consolidation could lead to quicker project approvals and clearances, reducing delays and associated costs. Financial institutions could leverage the UBID for more accurate credit assessments, potentially improving developers' access to financing.

Alternate dispute resolution mechanism

For the real estate industry, where disputes can range from contractual disagreements to property rights issues, ADR can lead to quicker resolutions, preserving business relationships and reducing legal expenses. This can enhance investor confidence, as the predictability and speed of dispute resolution are critical factors in investment decisions. Furthermore, ADR can help decongest the courts. The integration of ADR into the real estate sector aligns with global best practices and can position India as a more attractive destination.

Potential of Real Estate@2047



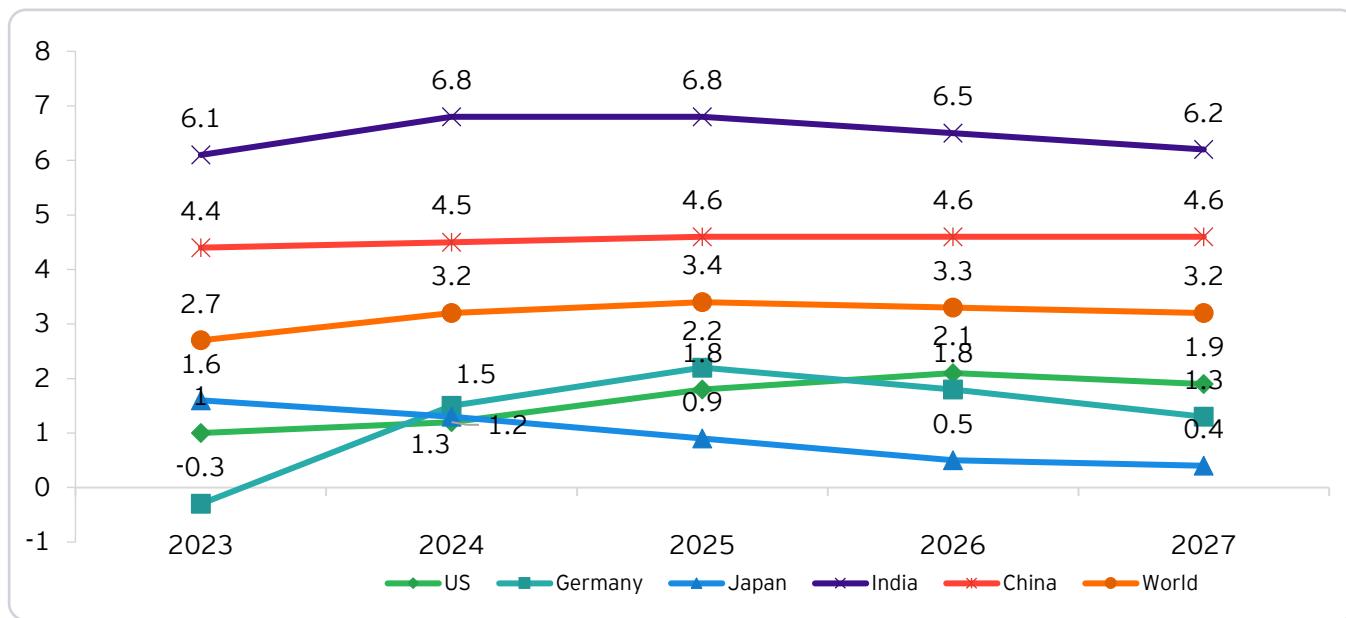
EY methodology

Using IMF's medium-term projections and OECD's long-term forecasts, we made projections under alternative assumptions covering the period FY 2024 to FY 2047.

Incorporating IMF's medium-term outlook

Between FY2024 and FY2028, our analysis incorporates the IMF's forecasts for India's real and nominal GDP growth, along with its projected nominal savings rate. Anticipated to grow at an average real GDP rate of 6.5% throughout this period, India is likely to experience a moderate impact from international economic developments relative to other global economies.

India will grow far faster than peers in the medium-term (Growth, % y-o-y)^[92]



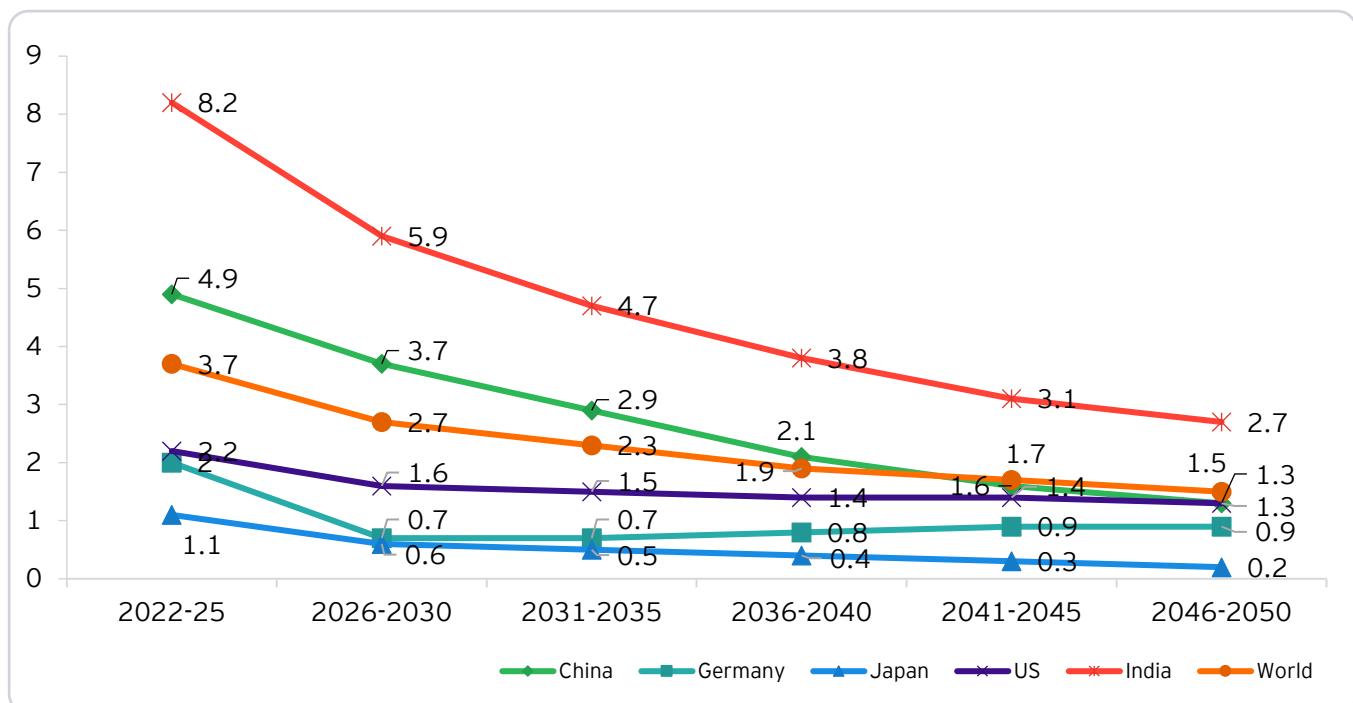
Source: IMF

[92] Guillemette, Y. and D. Turner (2018), "The Long View: Scenarios for the World Economy to 2060", OECD Economic Policy Papers, No. 22, OECD Publishing, Paris; OECD (2014), "Growth Prospects and Fiscal Requirements over the Long Term", in OECD Economic Outlook, Volume 2014 Issue 1, OECD Publishing, Paris; Johansson Å. et al. (2013), "Long-Term Growth Scenarios", OECD Economics Department Working Papers, No. 1000, OECD Publishing, Paris

Modifying OECD's long-term projections

Our long-term projections beyond FY2028 are based on the OECD's methodology although with some suitable modifications made with respect to India's growth profile. The OECD has focused on projecting the potential or trend output growth based on a long-term model in which the main determinants of growth include growth of capital stock and its productivity, growth of labor force and its productivity and the pace of technological progress (Guillemette and Turner, 2018; Johansson A. et al., 2013; OECD, 2014)^[93]

The heavyweights: How the top five economies will grow according to the OECD (Five yearly average growth rates in % terms)^[94]



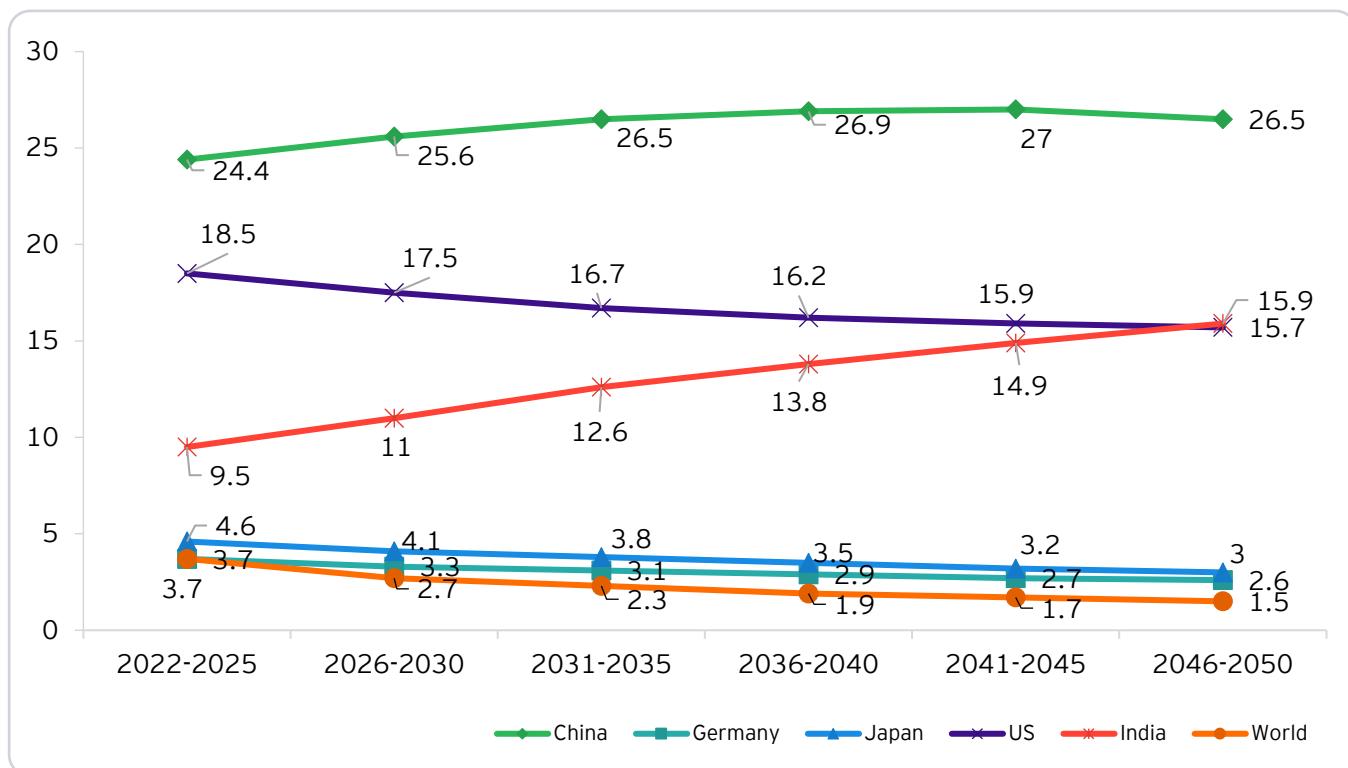
Source: OECD

The growth projections from the OECD indicate a consistent decrease in average growth rates for the global economy, China, India, and the US over successive decades, with the pace of this slowdown diminishing post-2030s. This downward trend in growth rates is primarily attributed to the diminishing marginal returns on capital, a rising proportion of capital consumption, and a reduced impact from technological advancements.

[93] Guillemette, Y. and D. Turner (2018), "The Long View: Scenarios for the World Economy to 2060", OECD Economic Policy Papers, No. 22, OECD Publishing, Paris; OECD (2014), "Growth Prospects and Fiscal Requirements over the Long Term", in OECD Economic Outlook, Volume 2014 Issue 1, OECD Publishing, Paris; Johansson Å. et al. (2013), "Long-Term Growth Scenarios", OECD Economics Department Working Papers, No. 1000, OECD Publishing, Paris

[94] OECD; Note: For India, data is on fiscal year bases. 2022 implies FY23 and so on.

Changing global order: How the global economic dominance will change over time according to the OECD (Average share in global GDP - in % terms)^[95]



Source: OECD

OECD projects that India's share in global GDP would increase to 15.7% in FY2048, from 8.9% in FY2023, making it the second largest economy after China.

Purchasing power and market exchange rate

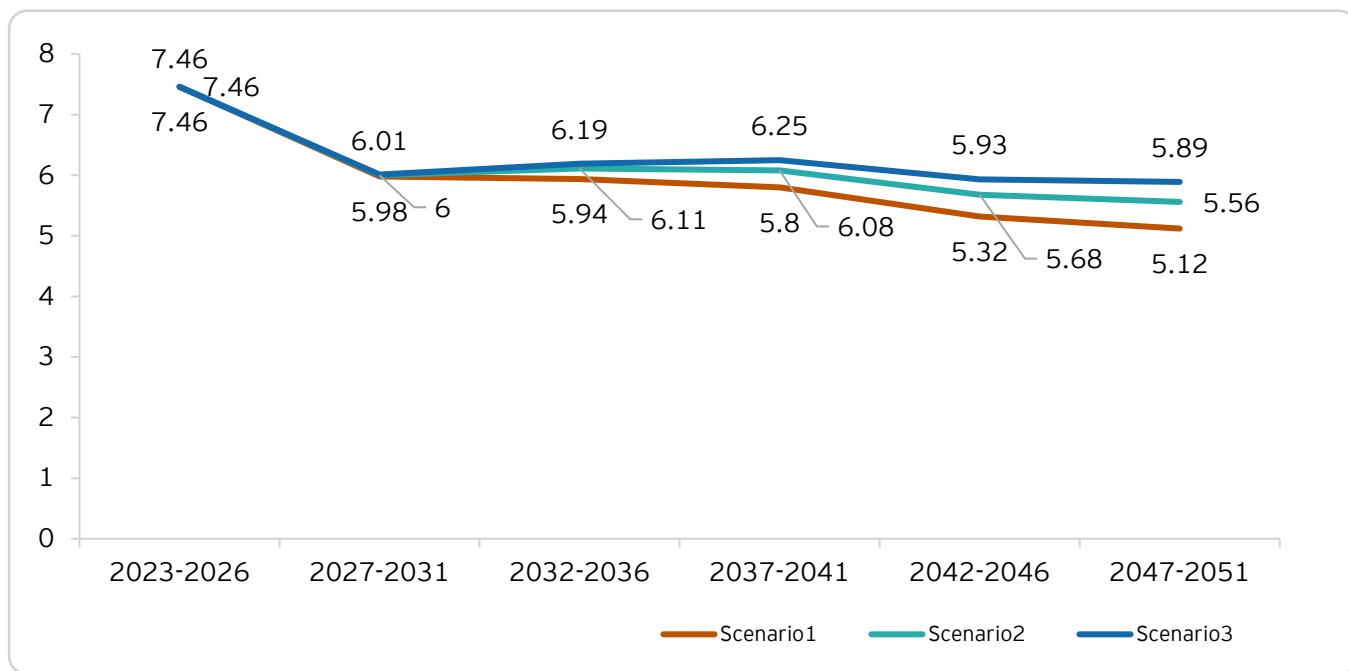
National income accounts detail a country's GDP and sectoral composition, but direct comparisons are not viable using domestic currencies. To compare countries' contributions to global GDP and per capita incomes, conversions to a common currency are necessary. Two primary methods exist for this: market exchange rates, which reflect foreign exchange markets, and purchasing power parity (PPP), which equates the purchasing power of different currencies for the same goods and services. Market rates are preferred for financial comparisons, such as current account balances. The International Comparisons Program (ICP), initiated in 1968 by the UN and the University of Pennsylvania, uses global price surveys to establish PPPs, with around 176 countries providing data for the 2017 cycle.

We have calculated India's GDP in 2011-12 INR prices, converting them to current prices and market exchange rates. To align with OECD's PPP-based global GDP forecasts, we have also translated India's GDP into PPP terms to estimate its global share. We outlined India's growth prospects from FY2023 to FY2061, diverging from OECD's baseline for other countries. As India's global GDP share grows, we have adjusted the world's growth by adding the difference between OECD's baseline and our simulations to the global PPP GDP. India's adjusted PPP growth rates, detailed in a table, are slightly higher than the constant price projections and marginally exceed OECD's estimates, though they follow a trend of decelerating growth in later years.

[95] OECD Notes: (1) For India, data is on fiscal year bases. 2022 implies FY23 and so on.

(2) Shares are based on measurement of GDP in PPP terms

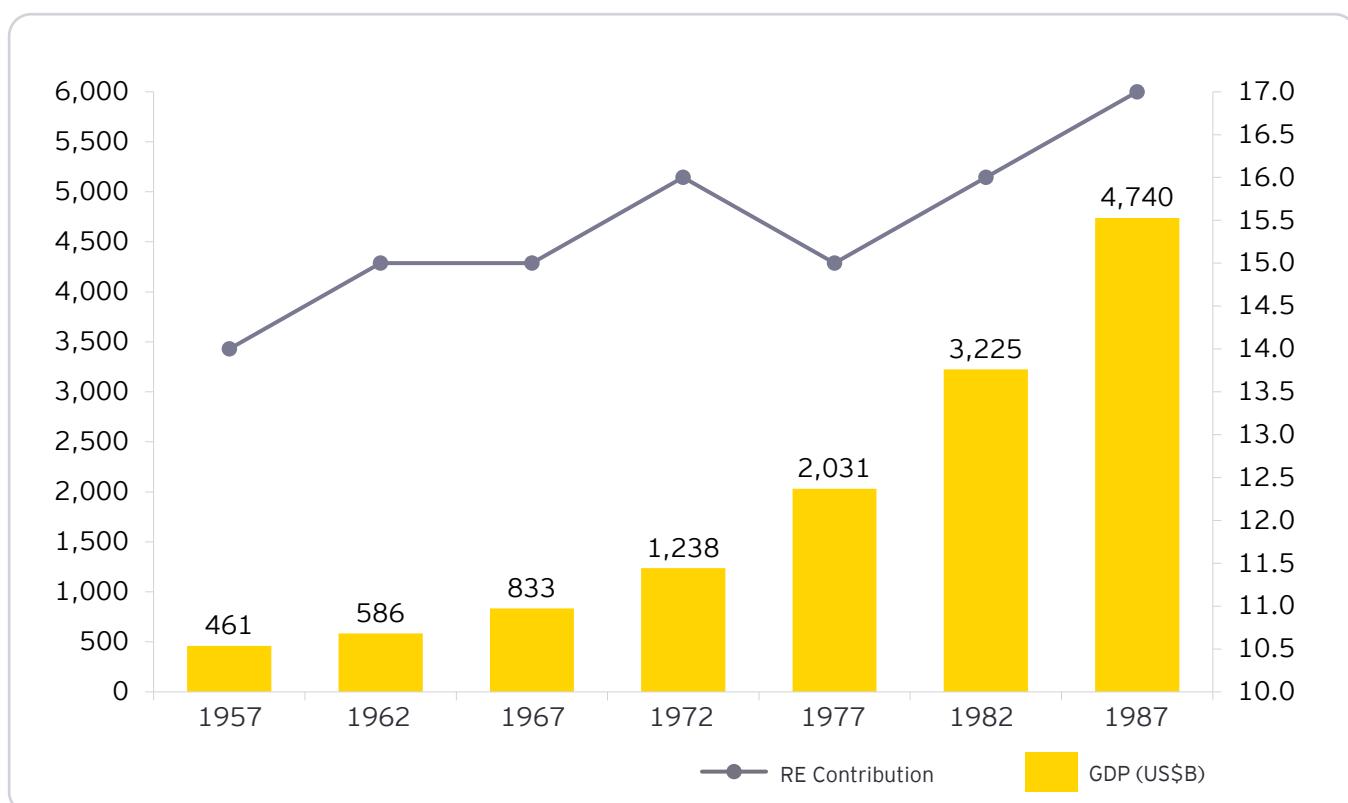
India's projected growth rates in PPP terms (five yearly average growth rates, %)



Source: EY Estimates

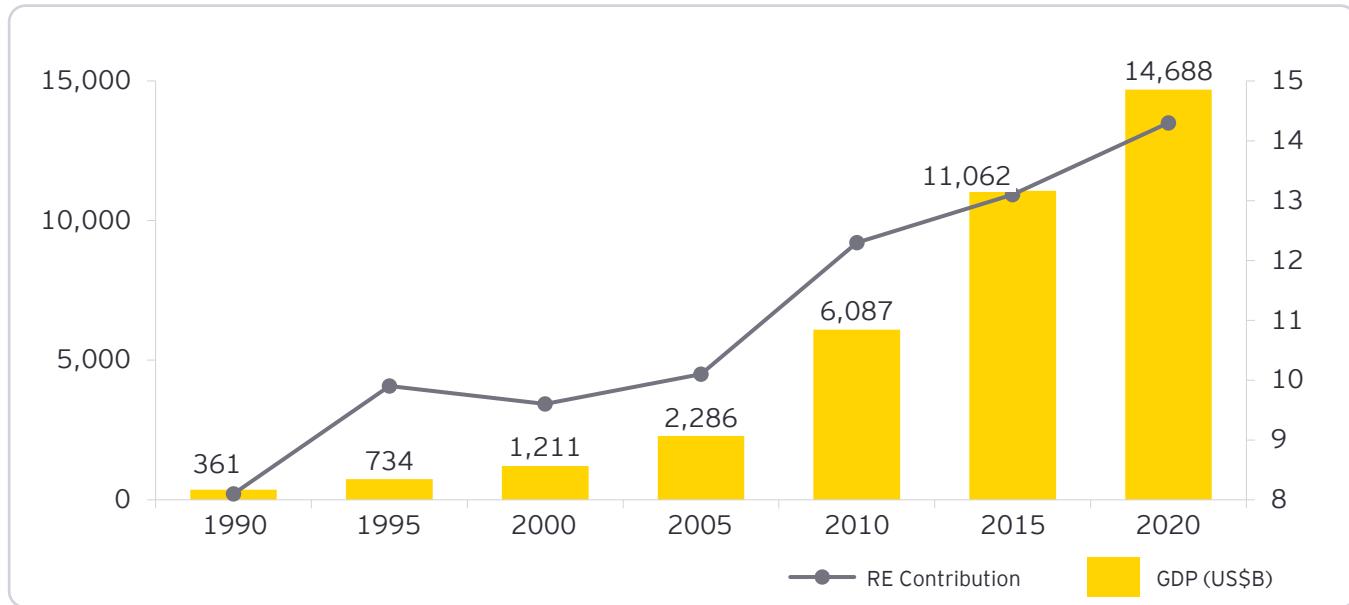
RE sector in USA and China have outpaced GDP growth in peak growth phase

USA- Real Estate Contribution to GDP- Real Estate Contribution has gone up from 15% in 1957 to 20% in 1997. The diagram below depicts the trends



Source: EY Research

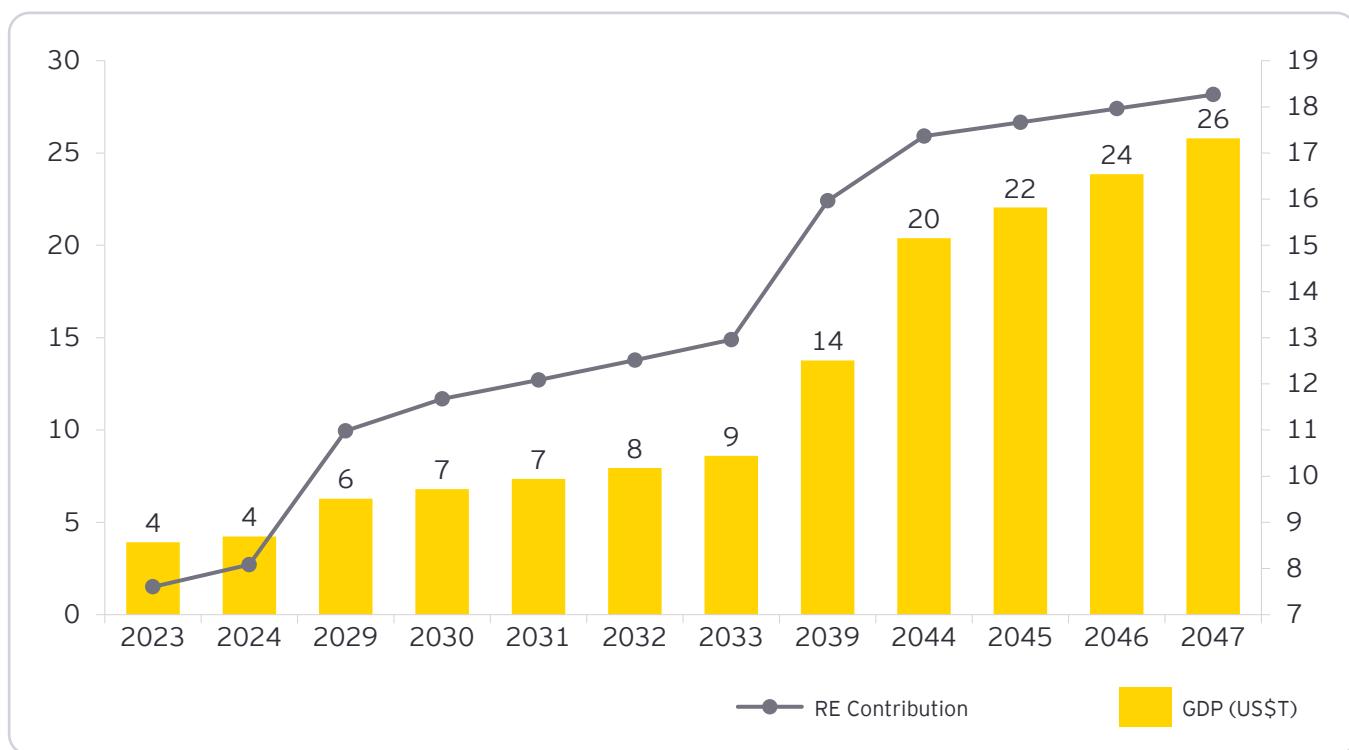
CHINA- Real Estate Contribution to GDP has almost doubled in the last 30 years. The contribution has gone up from 8.10% in 1990 to 14.30% in 2020



Source: National Bureau of Statistics of China

RE sector in India would reach a value of US\$4.8t with 18% share of GDP

India's real estate industry which is currently valued at ~US\$300b has a share of 7% of the overall GDP. The GDP is expected to have a mean growth rate of ~8% in the next 23 years. The illustration below depicts the growth and share of the RE sector relative to the GDP.

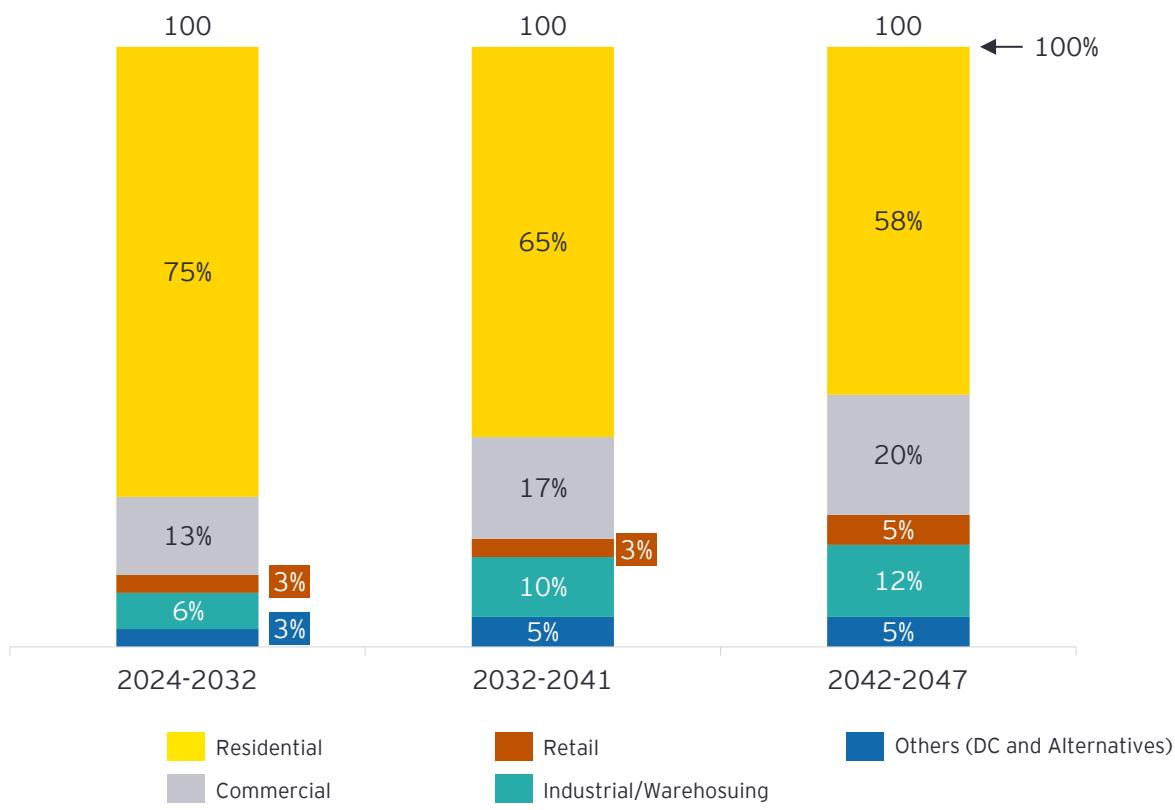


Source: EY Research

As exhibited in the diagram above the real estate sector is expected to witness a growth rate of ~13-15% over the next 5- 6 years on account of increased demand, policy initiatives and stable government. The sector is expected to still outpace the other sectors comprising the GDP and expected to grow at ~10-12% till 2047. The sector is expected to reach a value of US\$4.8T by 2047.

Residential sector would constitute over 50% in value, while commercial, retail, industrial and alternative would experience higher growth rates

As exhibited in the diagram above the residential segment is expected to have ~75% of the overall value of the real estate sector followed by commercial, industrial and retail segments. Post 2030, other segments such as commercial, industrial and alternatives are expected to have greater growth and market share on account of market penetration, fractional ownership opportunities(facilitated by REITs and Invits) and increased global investments.



Source: EY Research

Conclusion

With projections indicating that the sector could reach a US\$4.8t, comprising 18% of the GDP, the implications for economic development and wealth creation are significant. Achieving this milestone will require concerted efforts across multiple dimensions of policymaking, investment, innovation, and collaboration.

Firstly, policy frameworks must continue to evolve to create an enabling environment for real estate development. This includes streamlining regulatory processes, ensuring transparency in transactions and providing tax incentives to encourage both domestic and foreign investment. The Government's role in crafting and implementing such policies will be crucial in attracting capital and fostering confidence in the market. Land availability and pricing remains one of the key concerns in India and Government is expected to ensure the availability of land through effective zoning and land acquisition policies.

Secondly, infrastructure development must be accelerated to support the anticipated growth of the real estate sector. This includes not only the physical infrastructure of roads, utilities, and public services but also the digital infrastructure that facilitates modern real estate transactions and management. Investments in smart city initiatives and sustainable urban planning will lay the foundation for a resilient and efficient real estate ecosystem. The Government should encourage planned satellite towns near major cities to accommodate urban expansion and decongest cities.

Thirdly, the sector must embrace innovation, particularly in the areas of construction technology, property management, and customer service. The adoption of new materials, building techniques, and green technologies will be essential in reducing costs, improving quality, and ensuring environmental sustainability. Additionally, leveraging data analytics and artificial intelligence can enhance decision-making and personalize the customer experience.

Next, the real estate sector must prioritize inclusivity and affordability. As the market grows, it is imperative that housing remains accessible to all segments of society. This can be achieved through public-private partnerships, affordable housing initiatives, and innovative financing models that enable home ownership and rental opportunities for low and middle-income families.

Finally, the industry must foster a culture of continuous learning and professional development. By investing in human capital, the sector can ensure that it has the skilled workforce necessary to drive growth and adapt to changing market conditions. This includes not only technical skills but also an understanding of global best practices and ethical standards.

In conclusion, the real estate sector's potential is a testament to its strategic importance in the broader economic landscape. To realize this vision, stakeholders must collaborate to address the challenges and seize the opportunities that lie ahead. With a clear focus on policy reform, infrastructure development, technological innovation, inclusivity, and professional excellence, the real estate sector can achieve sustainable growth and make a substantial contribution to the nation's prosperity.

Glossary

Term	Definition
AEEE	Alliance for an Energy Efficient Economy
AI	Artificial Intelligence
AQR	Asset Quality Review
BIM	Building Information Modeling
BPM	Business Process Management
CAGR	Compound Annual Growth Rate
CLSS	Credit Linked Subsidy Scheme
DLRMP	Digital India Land Records Modernisation Programme
EESL	Energy Efficiency Services Limited
ERP	Enterprise Resource Planning
FDI	Foreign Direct Investment
FTWZ	Free Trade and Warehousing Zones
GST	Goods and Services Tax
GVA	Gross Value Added
IGBC	Indian Green Building Council
IMF	International Monetary Fund
InvIT	Infrastructure Investment Trust
IT/ITES	Information Technology/Information Technology Enabled Services
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
ML	Machine Learning
MMLP	Multi-Modal Logistics Parks
MSME	Micro, Small and Medium Enterprises
NAREDCO	National Real Estate Development Council
NATCON	National Convention (CREDAI event)
NLP	National Logistics Policy
NSDC	National Skill Development Corporation
PIB	Press Information Bureau
PLI	Production-Linked Incentive
QCI	Quality Council of India
RBI	Reserve Bank of India
REITs	Real Estate Investment Trusts
RERA	Real Estate (Regulation and Development) Act
SMREITs	Small and Medium Real Estate Investment Trusts
SRO	Sub-Registrar Office
SWAMIH	Special Window for Affordable and Mid Income Housing
SEZ	Special Economic Zones
ULB	Urban Local Body
UN	United Nations

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