

THE RETURN OF THE NRI HOMEBUYER

NRIs have been buying premium flats, plots, villas and homes in retirement communities. What gives?



(Top, clockwise from left): Projects with high NRI participation: Prestige Group's Prestige Park Grove project, Bengaluru; Paravankar's Purva Clement project, Mumbai; The House of Abhinandan Lodha's Gulf of Goa project, Goa; and The Sarayu project's clubhouse, Ayodhya. (Bottom, left to right): Columbia Pacific Communities The Virtuoso project, Bengaluru; DLF's Pravaa South project, Gurgaon; and Paravankar's Purva Atmosphere project, Bengaluru. (Note: All photos are artist impressions, except The Virtuoso.)

Mechanical
mechanical@ndtv.com
 BENGALURU

Last April, Snehalata Basu and her husband Deepjyoti Basu flew to Kolkata from Singapore for the house-warming ceremony of their three-bedroom apartment, which they had registered the year before. It was the happy culmination of a journey that had seen them endure a bitter experience a decade earlier after purchasing their first flat. The couple had bought that apartment in the New Town area, an investment, and to have their own place in India, they grew wiser from a project by Unitech Ltd. and like many others by the developer. It wasn't completed. Basu's sister, brother Pratik Deshpande (Bangalore resident) and their Dubai-based cousin Chandina Choudhary had also booked homes in the Unitech project. They, too, never got possession of their homes. Consequently, they shut the property market in India for many years. Then the pandemic hit and the underperforming housing market took off. Non-resident Indians (NRIs), in particular, were cut off and unable to visit their families back home.

"In October 2022, we were in Kolkata for the first time since the pandemic and thought of buying a property again. We looked only at flats in South Kolkata that were close to possession. We booked a 3BHK in a condominium in Purna Garden, in early 2022. Prices had fallen before and it was good value for money," Basu, 44, thanking professional, told Mint. Last year, her cousin Choudhary booked an apartment in another project that was a year away from completion. Her brother had booked the residential sector, followed by the pandemic. NRI buyers and investors are back again. Corporate and finance executives, doctors, entrepreneurs, techies from West Asia, south-east Asia, the US, UK, Europe, even business families from Africa have bought premium apartments,

plots, villas, as well as homes in retirement communities in the last three years. As per estimates by project firm Noflexor, the NRI share in annual home sales, which was sub-10% before 2020, increased to 15% in 2022, and will touch 20% by 2025. The residential market is currently upstart and home prices have been increasing. Investors are already back in a big way in the National Capital Region (NCR), and the turnaround in the sector marks the return of the most cautious NRI investor base.

Shweta Jain, managing director, residential services, at property advisory Savills, India, said NRI participation today is increasing quickly. However, after many unpleasant investment experiences in the past, NRIs are raising their investments to developers who have a sound track record, have demonstrated timely project delivery, and honoured their commitments to buyers. "These are developers whose projects are likely to see better capital appreciation. The primary objective for NRIs is safe investment and capital appreciation, given that real-estate returns are low," added Jain.

WINDOW OF OPPORTUNITY

DLF Ltd., the country's largest developer, pre-launched its luxury project, The Ashour, last February. There was little surprise when the project's LEED apartments, with an average price of ₹7.5 crore, sold out in three days. What was surprising though, was that 15% (₹1,800 crore) of the sales came from NRIs. The NRI share in DLF's Panchkhala low-rise project launched last year, which offered independent floors, was also 15%.

In December, NRI investors from various countries grabbed a bigger share—25%—in the developer's latest launch, Pravaa South, in Gurgaon, which has over 1,000 apartments. Among other countries, NRIs from Tanzania and Kenya participated for the first time.

Aakash Chit, joint managing director and chief business officer, DLF Home Developers Ltd, said that in the last two years, DLF's NRI outreach programme

has been actively engaging with investors, conducting meetings and updating them with information. NRIs are provided real-time support and DLF has initiated measures such as securing specific inventory for them and synchronizing launches in India and overseas, so that such customers have access to premier inventors. "NRI participation actively till a decade back, but then in NCR, unexpected developments in the property market and construction delays led them away. NRI interest in our recent projects is due to their trust in DLF, better connectivity and infrastructure, and the price points," Chit said.

While market sees a resurgence in NCR, there has been faster capital appreciation, the surge in demand for certain under-construction projects, which offer cost savings, makes it evident that investors are back. Bengaluru-based Paravankar Lodha said its sales-NRIs have seen a uptick in the last two-three years, with 10% year-on-year growth. There is increased interest in luxury homes, plots and villas from NRIs in the US, South East Asia and West Asia, favourable government policies, price appreciation and increased trust in Grade A developers drove interest among NRIs, said Group CEO Abhishek Kapoor.

Bengaluru's Prestige Group, which has projects across cities, said it has seen NRI-buying double in the last three years. "Gulf countries, like before, contributed the most in terms of numbers, but the most significant uptick in interest has been from US-based NRIs. The renewed interest in investing back home is due to better economic growth, pricing and strengthening of the US dollar," said Praveer Shivastava, senior vice-president, residential, Prestige Group.

Similarly, Mumbai's R Rahaia Corp Homes is seeing increased interest from NRI buyers from Dubai and Kuwait, with Hyderabad and Pune as top choices. Like domestic investors, NRI investors could be both short- and long-term investors. Investors coming into the market today have the capacity to hold on for the long term, said consultants.

"Prices are increasing, but not unreasonably. Rents are on the rise. NRIs typically buy for end-use or rent out. There is also an emotional factor. They are a close-knit community where many buy

WHAT

After the prolonged slowdown in the residential sector, NRI buyers and investors are back again. The surge in demand for certain under-construction projects provides ample evidence of this.

AND

Corporate executives, doctors, entrepreneurs, techies from West Asia, US, UK, Europe, and even business families from Africa have been buying premium homes across India.

NOW

NRI investors are diversifying their portfolios and looking at fractional investment platforms for commercial assets such as offices, warehouses, and even luxury holiday homes.

together, or if one buys, more will follow," said Prashant Thakur, director and research head, Anarock Group.

THE INFRASTRUCTURE PUSH

Two concrete pillars of the dot-com era—the new temple in Ayodhya, Uttar Pradesh, in January witnessed NRIs celebrating across the globe. When Mumbai-based branded land developer House of Abhinandan Lodha invited enquiries for its first project in the temple town, called 'The Sarayu', roughly 2% were from NRIs. On 22 January, when the developer officially opened bookings for 250 plots, priced at ₹1.72 crore onwards, the NRI participation was around 33%. The entire inventory sold out in less than 24 hours. The developer is now in the process of setting up its first marketing office in Dubai. While a strong emotional connection may have played a role, NRIs were also looked

at the large-scale infrastructure projects in the temple town, which will drive prices. Chairman Abhinandan Lodha said NRI participation even two-three years ago was peripheral. "NRIs are now buying with the next generation in mind. Our team has visited multiple countries and built a distribution network. In the Ayodhya project, NRIs from 63 countries expressed interest. There is underlying interest in buying land, because a real estate upside comes with land," he said.

In addition, Lodha has seen significant interest in its second-home projects—a plotted project in Goa as well as premium villas in Alibaug, a seaside town near Mumbai. NRI investors typically respond well to large infrastructure projects that improve connectivity and increase real-estate value in the surrounding areas.

The Mumbai Trans Harbour Link (MTHL) or 'Atal Setu', a 21.8 km sea bridge connecting central Mumbai to Navi Mumbai, which was inaugurated in January, is expected to spark real estate activity in the latter, with industry experts forecasting a rise in property prices and demand. The long-pending Navi Mumbai international airport is expected to be operational by the year-end.

"NRI investor enquiries across all our projects have risen in the past year, but the highest is in Pune (Navi Mumbai), for plots and villas. MTHL, which is the works for the longest time, but investors will believe it when they see it happen. The airport is also a reality. They are viewing Pune as a future destination," said Neel Maheshji, managing director, Wadhwa Group, which has high-end projects in Mumbai and a large plotted and villa project, 'Wadhwa Wise City' in Pune.

NOT JUST RESIDENTIAL

NRI investors have always focused on residential projects for the most part. Now, they are diversifying their real-estate portfolios and looking at fractional investment platforms for commercial assets. These platforms offer investors part ownership of assets such as offices, warehouses, and even luxury holiday homes.

Strata, a fractional investment platform, which is into office and warehousing assets, has been operational for four years. It has a diverse NRI client base settled in Dubai, Japan, Kenya, the US, and the UK, among other countries. A quarter of its ₹1,200 crore in assets under management (AUM) is attributed to NRI investors.

"Fractional investment platforms have emerged as an important asset class. When investors come on our platform, all the information is available beforehand with complete transparency. There is ease of investment, liquidity, fully digitised transactions and good returns," said Nihar Shah, director and head of investments, Strata. Residential yields in the country have typically been low, at 2-3%, compared to commercial office space, which offers higher yields of 7-9%. Fractional real estate ownership platforms, where operators typically buy out individual floors in office assets, small office buildings, or small warehouses, offer even better returns. Strata, for instance, has a targeted internal rate of return or IRR of 13-15%, which is a blend of rental yield and capital appreciation.

When House of Abhinandan Lodha opened bookings for its Ayodhya project, featuring 250 plots priced at ₹1.72 crore onwards, the NRI participation was 33%.

Now, with market regulator Securities and Exchange Board of India (SEBI) expected to bring such platforms under its jurisdiction, retail investors and NRI confidence and participation are expected to get another boost.

"NRI participation will grow in the next three-five years. Once the SEBI regulations are finalised, the minimum investment of ₹25 lakh is likely to reduce to ₹10 lakh. We are looking at growth and new acquisitions of assets, and our AUM will go up to ₹2,000 crore by March end," Shah said. Another platform, BIRs, which is raising a \$500 crore fund to invest in commercial real estate, has seen strong commitments from NRIs. "We do NRI outreach through digital marketing and use wealth managers, financial advisors and property brokers. Transactions are done digitally, including online walk-through of projects, and payments," said Shiv Parikh, founder and CEO, BIRs.

TURN TO PAGE 11

