

NRI'S ARE PIVOTING

*to Numerous Real Estate
Assets Amidst Lockdown*

A Whitepaper by 360 Realtors

Foreword

The COVID-19 is not just proving to be a massive medical crisis, but it has also immobilized the global economy. Business activities have plunged across the globe, following a compulsory lockdown in more than 150+ global economies. The slowdown is reverberating across the industry, thereby impacting businesses.

The Real Estate in India has also taken the blow, as sales numbers have been adversely affected. The slowdown is also rooted in the paranoia, due to an uncertain economic outlook. Buyers are deferring the decisions & are waiting for the situation to normalize.

However, amidst chaos & volatility in the market, there are also emergent trends, green shoots, & value-driven innovations that are widely visible. One of the uptrend seen in the market is the growing influence of the NRI buyers in Indian Real Estate. Confluences of numerous drivers are fuelling the NRI involvement in Indian Real Estate.

One of the key factors is the dip in the value of Indian rupee, which is making properties very affordable for NRI buyers. As financial markets are staggering & there is a considerable amount of uncertainty globally, NRIs are trying to cash in, the present situation & invest in hard assets such as Real Estate. Interestingly along with residential units, NRIs are also pivoting to commercial assets such as office & retail in big volume.

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Ankit Kansal
Founder & MD, 360 Realtors



Secondly, as NRIs stay far away, any lack of physical visits or inspection does not make much difference. An effective digital view of the project can be equally helpful. Developers are also investing heavily in digital/ online mediums to help buyers learn more about properties & make informed decisions.

Thirdly, risk mitigation is becoming important for NRI buyers, especially investors. Hard assets such as Real Estate can offer a recurrent source of income in the form of rental yields, which helps contain future risks. Moreover, in the mid-term buyers can make elevated returns with the help of capital appreciation as well, as the overall fundamental of Indian Real Estate seems promising.



NRI's are pivoting to Office Real Estate

Commercial assets such as office are touted as the most compelling asset classes in Indian Real Estate. In 2019, the total office transaction was pegged at over 50 million Sq. Ft. on the back of robust demand from the IT/ ITeS, BFSI, Consulting, & Co-Working spaces.

Despite a slowdown in the economy, big volumes of institutional money had been poured into office Real Estate due to the long term growth potential of India. The bullish run of the office Real Estate has taken a blow in the 1st Quarter of 2020 due to the COVID crisis, however, its attractiveness remains unaltered.

This is the reason why many NRI investors who have for long invested in the residential real estate market are now gradually shifting gears toward a much lucrative office asset class.

This distinct shift of well-heeled NRI investor's towards commercial properties is also because of the satisfactory yields that it delivers. Grade-A asset can give rental returns up to 12%. Buyers understand that in a time of economic contingencies, a source of constant rental income can be one of their safest bet to bank upon.

Developers are also coming up with attractive plans, wherein one just has to pay a little amount for booking (INR 1.5- 3 Lacs), & the rest can be paid afterward, following site visits. Due to the COVID triggered crisis, there will be some remarkable makeovers in the industry, marked by rental renewals, rental concessions, & market consolidations.

Yet, Indian office Real Estate, especially strata leasing, ready-to-move-in asset classes, & the ones which are nearing completion (6 months- 1 Year) will continue to draw investor interest.

Attractiveness of Indian Office Real Estate

High Rental Yields



Dip in the Value of INR



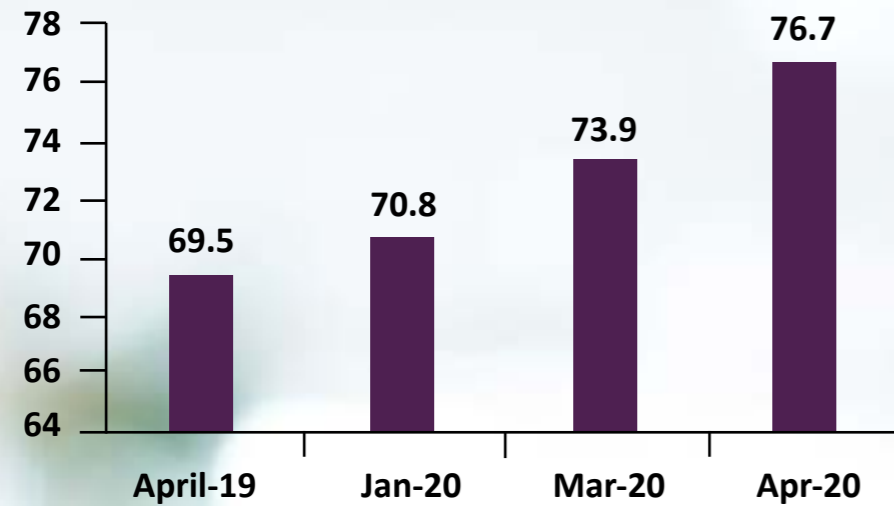
Mid-Term Capital Appreciation Potential



Attractive & Flexible Payment Plans

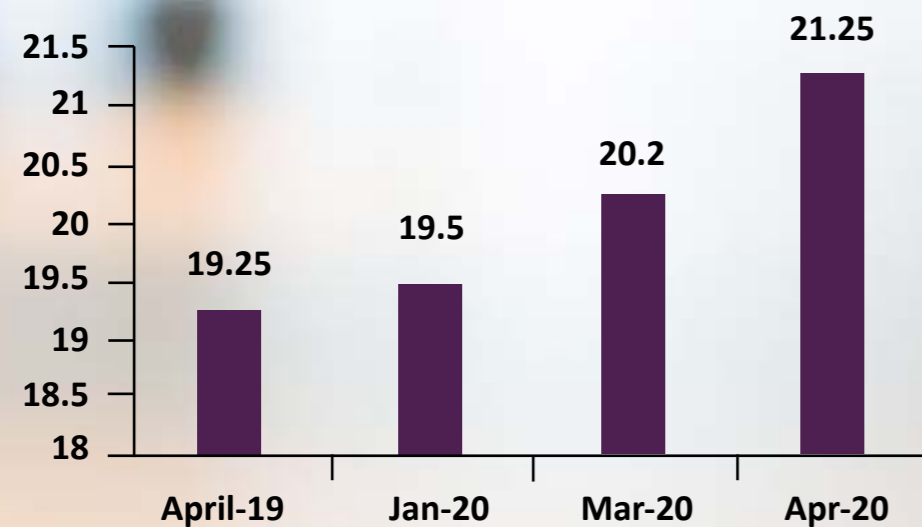


INR vs Dollar



NRI buyers will also capitalize heavily on the weakening of Indian Rupee. If we hypothetically consider other factors to be constant, the correction in rupee alone can make properties 10% more affordable for NRI buyers.

INR vs QAR



NRI Investments in Retail Real Estate

Retail continues to be a major draw for NRI buyers, backed by its robust fundamentals. Indian Retail consumption has nearly doubled in the last 5 years, fuelled by demographic dividend, growth in the middle class, simplification of FDI policies, & evolving consumer behavior.

During 2015-2019, USD 2.8 billion has been directed towards Indian retail Real Estate, out of which 59% were of international origin. As the appetite for organized retail is growing in India, around 75-100 new malls are estimated to be completed in the next 3 years.

No doubt, the COVID crisis has resulted in an arrest of the steep growth, Indian retail was enjoying in recent years. However, the fundamentals remain intact. A large young demographics, change in lifestyle, & rapid urbanization will continue to feed demand for quality retail Real Estate.

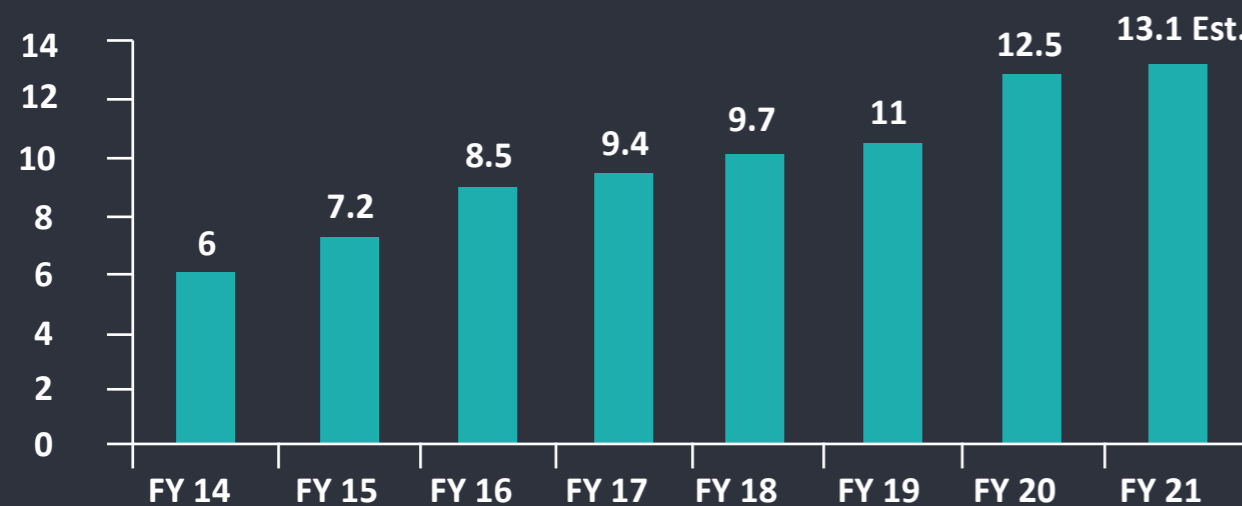
The retailers in coordination with the mall operators will come up with new models, wherein they will try to synergize offline sales with online platforms, keep the demand growing.

Residential Real Estate- An Ever Green Investment Opportunity

The Indian housing market continues to be an evergreen investment opportunity for NRI buyers. Both Investors & end-users will enter the space in the times to come. Although rental yields in residential is relatively less, there is attractive mid-term appreciation potential. Moreover, due to active end-user centric market, it is relatively speculation free.

At the onset of FY 21, a total of USD 13.1 billion was expected to enter the Indian housing market from the NRI quarters (However, this is pre-COVID estimate. These numbers will correct)

NRI Investments in USD Billion



Source: 360 Realtors Research

After COVID, a slowdown in the NRI investments in Indian housing markets is inevitable. However, these are also one of the most opportune times for NRI buyers to own a home in India- the value of Rupee has drastically come down, home prices are much lower (compared to the peak periods), & there are plenty of buyer-centric payment plans. Collectively these factors can give a discount to the tune to 25-30%, making it a buyer's market. NRI investors & buyers will continue to leverage this in the times to come & deepen their stakes in the housing industry.

The Attractiveness of Indian Residential Real Estate

Dip in Rupee



*Flexible Attractive
Payment Plans*



*Prices are Already
Low*



*Competitive Rental
Returns*



*Mid-Term Growth in
Prices Expected*



*Hedge Against
Inflation*



*Market is speculation
free*





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