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REAL ASSET? REAL EASY

The Power of Protection and Value

By Anupriya Nagar, Research Intern, Integrow

In the dynamic landscape of real assets, owners often find themselves at a precarious crossroads. While their properties hold potential for lucrative ventures and community growth, they also face significant challenges, chief among them being the lack of protection against constructors who fail to adequately compensate them.

One of the most prominent laws in the real asset sector is The Land Acquisition, Rehabilitation and Resettlement Act, 2013 (LARR) which is an Indian law that mandates fair compensation, consent from landowners, social impact assessments, and comprehensive rehabilitation for those affected by land acquisition. It aims to balance development needs with protecting the rights and welfare of affected individuals and communities.

The LARR had a profound impact on the Mumbai-Ahmedabad High-Speed Rail (MAHSR) Project, known as the Bullet Train project. LARR mandated that landowners receive compensation at rates well above market value, ensuring fair treatment and reducing disputes. However, obtaining consent from 80% of affected landowners for private projects, like MAHSR, initially posed challenges due to varying levels of agreement across regions. The Act also required a rigorous Social Impact Assessment (SIA) to evaluate the project's effects on local communities and the environment. This assessment helped identify potential challenges and ensured appropriate mitigation measures were implemented, enhancing project sustainability.

LARR's provisions for comprehensive rehabilitation and resettlement ensured that displaced families received adequate compensation, alternative housing, employment opportunities, and monetary assistance. While compliance with LARR's consent and compensation requirements initially caused delays and increased costs for MAHSR, adherence to these guidelines ultimately streamlined acquisition processes and fostered improved stakeholder engagement.

Overall, despite initial hurdles, the Act contributed to achieving sustainable development and community well-being while advancing critical infrastructure goals for India's economic growth and connectivity. In general, Land is regarded as a real asset. But what is a real asset?

A real asset refers to a tangible asset that holds intrinsic value due to its substance and properties. Unlike financial assets such as stocks or bonds, which derive value from contractual claims, real assets are physical items that one can touch and utilize directly. Common examples include real estate, precious metals, commodities, and infrastructure. These assets are essential in diverse sectors like housing, industry, and transportation, contributing to economic growth and stability. Real assets offer several advantages for investors. They often provide a hedge against inflation because their value typically increases with rising prices. Additionally, real assets can generate ongoing income, such as rental income from property or profits from agricultural production. This makes them attractive for those seeking long-term investment stability and income generation. Furthermore, real assets can diversify an investment portfolio, reducing overall risk by balancing the volatility of financial markets.

Real estate displays the same advantages as a real asset hence it provides stability and security, acting as a physical entity that retains inherent value over time. Unlike volatile financial instruments, property investments tend to appreciate steadily, serving as a reliable hedge against inflation.

Source: <https://www.investopedia.com/terms/r/realasset.asp>

INDUSTRY OVERVIEW:

Unleashing Potential: India's Real Estate Transformation Compared to the West

By Parth Mahajan , Manager – Business Development, Integrow

India’s real estate sector is witnessing an extraordinary evolution, driven by rapid urbanization, a burgeoning middle class, and the infusion of cutting-edge digital technologies. This dynamic transformation is not only reshaping the market but also setting the stage for a robust comparison with the established real estate landscapes of the US and Europe. For Ultra High Net-Worth Individuals (UHNIs) seeking lucrative investment opportunities, understanding these developments is paramount.

India's Real Estate Growth Trajectory

Market Size and Growth: India’s real estate market is projected to reach an impressive US\$ 1 trillion by 2030, up from US\$ 200 billion in 2021. This growth trajectory, with an estimated market size of USD 0.33 trillion in 2024, is expected to soar to USD 1.04 trillion by 2029, reflecting a compound annual growth rate (CAGR) of 25.60%. By 2025, the sector is anticipated to contribute 13% to the country’s GDP, underscoring its significance in the national economy.

Employment and Economic Contribution:

The real estate industry is a significant employer in India, with nearly 70 million people estimated to be working in the sector by 2022. This growth is driven by urbanization and a growing middle class, creating a ripple effect on economic development

Regulatory Framework: Building Trust and Transparency

Real Estate (Regulation and Development) Act (RERA):RERA has been a game-changer for India’s real estate sector, ensuring transparency and protecting buyers’ interests. The act mandates developers to adhere to project timelines and disclose accurate information, thereby fostering trust among investors and buyers alike. This regulatory framework has been instrumental in streamlining processes and reducing disputes.

Goods and Services Tax (GST):The introduction of GST has further streamlined the tax structure, reducing the cascading effect of multiple taxes and making transactions more transparent and efficient. This has had a positive impact on the real estate sector, enhancing investor confidence.

Technological Integration: The Digital Revolution

India’s real estate sector is embracing digital technologies, revolutionizing the way transactions are conducted and properties are managed. Key innovations include:

Artificial Intelligence (AI):AI provides valuable insights into market trends, property values, and consumer preferences, enabling more informed decision-making. For UHNIs, this means access to sophisticated analytics that can optimize investment strategies.

Blockchain:Blockchain technology ensures transparency and security by providing immutable records of property ownership and transaction history, significantly reducing fraud risks and enhancing investor trust.

Internet of Things (IoT):IoT enables the development of smart buildings equipped with sensors and automation systems, enhancing energy efficiency, security, and overall user experience. For investors, this translates to higher asset value and increased tenant satisfaction.

Comparative Analysis: India vs. The West

United States: In the US, Alternative Investment Funds (AIFs) are regulated by the SEC and offered as alternative mutual funds, attracting retail investors due to higher transparency and lower minimum investment requirements. In 2019, the US AIF market reached USD 10.3 trillion, projected to grow to USD 14.0 trillion by mid-2023.

Digitalization has played a crucial role, enabling efficient portfolio monitoring and management.

Europe: As of early 2019, AIF investments in Europe totaled USD 7.0 trillion, driven by new launches in 2018. While professional investors hold most AIF shares, retail investors also contribute significantly. AIFs in Europe primarily invest within the European Economic Area (EEA), with a significant focus on real estate funds.

India: India’s alternative investment sector is rapidly expanding, with investors increasingly drawn to higher risk/reward opportunities. Introduced by the Securities Exchange Board of India (SEBI) in 2012, AIFs in India attract investments from High Net-Worth Individuals (HNIs) and institutional investors, focusing on venture capital, private equity, angel, and real estate funds.

The Promising Future

India’s real estate sector is poised for unprecedented growth, driven by market dynamics, regulatory reforms, and technological advancements. Government initiatives like Smart Cities and Digital India are fostering an environment conducive to technological adoption, ensuring the real estate market continues to thrive. For UHNIs, this presents a unique opportunity to invest in a rapidly evolving market with immense potential for high returns.

India’s real estate sector is on a transformative path, offering exciting opportunities for UHNIs. With robust growth projections, a favorable regulatory environment, and the integration of advanced technologies, the sector is well-positioned to deliver substantial returns on investment. As the industry evolves, continued collaboration between stakeholders will be essential in addressing challenges and capitalizing on new opportunities. Investing in India’s real estate now could be a strategic move for those looking to diversify and enhance their portfolios.



PEOPLE OF REAL ESTATE

Deven Shah: Blending Tradition with Innovation in Real Estate

Deven Shah, the dynamic Director at Royal Realtors, is a name synonymous with innovation and excellence in the real estate industry. As a second-generation entrepreneur, Deven has seamlessly blended traditional values with modern strategies to elevate Royal Realtors to new heights.

Experience and Leadership

Deven Shah oversees multiple critical departments at Royal Realtors, including strategy, marketing, legal, finance, and sales. His leadership has been instrumental in setting benchmarks for quality construction, precision engineering, and timely project delivery. Under his guidance, the company has excelled in SRA (Slum Rehabilitation Authority) development, showcasing a commitment to holistic and sustainable urban development.

"Leading Royal Realtors has been a journey of blending our rich legacy with cutting-edge practices. Our commitment to quality and innovation is unwavering," says Deven Shah.

Industry Impact

Deven's approach to real estate is marked by a keen understanding of market dynamics and consumer behavior. His insights into suburban Mumbai's real estate trends have positioned Royal Realtors as a key player in the region. His ability to innovate while maintaining ethical standards has earned him respect and recognition in the industry.

"Understanding the pulse of the market and the needs of our clients is crucial. It allows us to create developments that not only meet but exceed expectations," Deven explains.

Vision for the Future

With a vision to create lasting legacies, Deven Shah continues to drive Royal Realtors forward, ensuring that the company not only meets but exceeds industry standards. His blend of traditional ethics and modern outlook makes him a pivotal figure in the real estate sector, inspiring many with his leadership and dedication.

"We are committed to sustainable and innovative development. Our goal is to leave a positive impact on the communities we build," he emphasizes.



Deven Shah's journey is a testament to the power of visionary leadership and the impact of combining tradition with innovation. His contributions to the real estate industry are significant, making him a deserving feature in this month's "People of Real Estate."

"Building a better future is not just a mission; it's our responsibility," concludes Deven Shah.

Deven Shah's leadership at Royal Realtors exemplifies the essence of a modern real estate visionary. His story serves as an inspiration to aspiring real estate professionals, showcasing the importance of blending traditional values with innovative strategies to achieve excellence.

EXPERT COMMENTARY

LARR: A Complex Balancing Act for Sustainable Growth

As an industry leader in residential real estate, Integrow recognizes the complexities of land acquisition in India. The Land Acquisition, Rehabilitation and Resettlement Act (LARR) adds another layer, particularly with securing fair compensation and landowner consent. While these initial stages can extend project timelines, we view LARR as a positive long-term development.

LARR's focus on transparent compensation ensures landowners are treated fairly, a crucial element for sustainable growth. Additionally, Social Impact Assessments (SIAs) are instrumental in protecting the rights and well-being of affected communities. This minimizes disruptions and fosters social responsibility.

While LARR presents initial hurdles, it ultimately contributes to achieving sustainable development and community well-being. It does this by ensuring fair compensation, protecting communities, and facilitating critical infrastructure projects that propel India's economic growth and connectivity.

In essence, LARR acts as a balancing act. It acknowledges the need for development while safeguarding the interests of both landowners and communities. This collaborative approach creates a more stable foundation for residential projects, ultimately benefiting all stakeholders.

- By Sanchi Jain

VP Residential Investments , Integrow



REGULATIONS & POLICIES

Navigating Real Estate
Regulations & Policies in India

By Kiran Loke, Manager – Compliance, Integrow

The Indian real estate sector, a cornerstone of the country's economy, has witnessed substantial reforms aimed at enhancing transparency, accountability, and efficiency. These regulations are pivotal for both homebuyers and developers, ensuring a fair and secure environment for property transactions. Here's a comprehensive look at some key regulations and policies shaping the real estate landscape in India.

Real Estate (Regulation and Development) Act, 2016 (RERA): The Real Estate (Regulation and Development) Act, commonly known as RERA, was enacted to address the numerous challenges faced by homebuyers and to bring a much-needed regulatory framework to the real estate sector.

Purpose: RERA's primary objective is to safeguard homebuyers' interests by ensuring transparency and accountability. It aims to eliminate malpractices and delays, thereby restoring trust in the sector.

Key Provisions:

- 1. Mandatory Registration:** Developers are required to register all real estate projects with the respective state's RERA authority before advertising or selling. This ensures that only genuine projects enter the market.
- 2. Timelines for Completion:** The Act prescribes specific timelines for project completion and possession, which developers must adhere to. This provision helps in reducing project delays, a common grievance among homebuyers.
- 3. Material Disclosures:** Promoters must make all material disclosures about the project, including details of the land, approvals, and the status of the project. This ensures that buyers have complete information before making a purchase decision.
- 4. Restriction on Deviations:** Any deviations from the sanctioned plans without the consent of the allottees are restricted. This provision protects buyers from unauthorized alterations that could affect the value and usability of their property.
- 5. Dispute Resolution Mechanisms:** RERA provides a mechanism for dispute resolution, ensuring that grievances of the homebuyers are addressed promptly and effectively.

By mandating these provisions, RERA has significantly contributed to a more transparent and reliable real estate market.

Registration Act, 1908, and India Stamp Act, 1899: These longstanding acts govern the registration of property and the payment of stamp duty, ensuring that property transactions are legally sound and properly documented.

Registration Act, 1908: This Act mandates the registration of all transactions involving immovable property. Proper registration ensures that the transfer of property rights is legally recognized, providing legal security to the property owners.

India Stamp Act, 1899: The Stamp Act requires the payment of stamp duty on legal documents related to property transactions. This duty acts as a revenue source for the government and helps in maintaining legal records of transactions.



Proper documentation under these acts is crucial for validating property transactions and avoiding legal disputes.

Importance for Real Estate Asset Management Companies

Real estate-focused asset management companies must navigate these regulations to ensure compliance and optimize their operations:

- 1. Regulatory Compliance:** Understanding and adhering to these regulations is crucial for the legal soundness of projects and to avoid potential legal disputes.
- 2. Cost Management:** Provisions like fair compensation under the LARR Act affect the cost of acquiring land. Accurate budgeting and cost management are essential for financial planning.
- 3. Project Planning and Execution:** Requirements for Social Impact Assessment (SIA) and obtaining consent from affected families, as mandated by the LARR Act, impact project timelines. Companies need to factor these into their planning and execution strategies to avoid delays.
- 4. Reputation and Corporate Social Responsibility (CSR):** Adherence to fair compensation, rehabilitation, and resettlement enhances a company's reputation, demonstrating a commitment to ethical practices and corporate social responsibility, which can benefit investor relations and community goodwill.
- 5. Risk Management:** Non-compliance with regulations can lead to legal challenges, protests, and project delays. By following the regulations, companies can mitigate these risks and ensure smoother project implementation.
- 6. Sustainable Development:** The focus on transparency, social impact, and fair treatment of affected communities aligns with the principles of sustainable development. Real estate asset management companies can contribute to sustainable urbanization by adhering to these guidelines.

The regulatory landscape of the Indian real estate sector, shaped by acts like RERA, the Registration Act, and the India Stamp Act, ensures a balanced and fair environment for all stakeholders. For real estate-focused asset management companies, understanding and navigating these regulations is essential for legal compliance, cost management, project execution, and sustainable development. Staying informed about updates and changes in these laws is crucial for continued success in this dynamic sector.

Preview for the Next Issue – August 2024

Integrow Insider: Dive Deeper with
the Next Issue!

Market Mastery: Unveil the latest trends and market insights with our in-depth analysis. Stay ahead with expert-driven explorations of the evolving real estate landscape, offering you the confidence to make strategic decisions.

People of Real Estate: Meet the visionaries transforming the real estate world. This month, we bring you compelling stories of industry pioneers, their unique journeys, and the innovative strategies that led to their remarkable success.

Real Estate Simplified: Breaking down the complexities of the real estate market. From common challenges to simplified processes, this section is dedicated to empowering you with practical knowledge for your real estate ventures.



Integrow Insider: Delve deeper with exclusive content in the upcoming issue! Discover the tools and insights that will take your real estate expertise to the next level.

Regulatory Radar: Stay informed with clear and concise explanations of current and upcoming regulations affecting the real estate sector. Navigate the legal landscape with confidence and stay ahead of the curve.

Expert Insights: Benefit from the wisdom of industry veterans and thought leaders. Our expert commentary offers invaluable perspectives and predictions, guiding you through the future of real estate.

Don't miss out on our next issue, packed with valuable insights and expert advice to enhance your real estate journey!