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How will Indian real estate contribute to \$5 trillion economy dream?

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In the recently presented Budget recommendations 2020-21, the Finance Minister has expressed the intent of becoming a \$5 trillion economy in the next five years. Though a difficult goal, 99acres.com explores the ways in which real estate can contribute to this massive economic feat.

At present, the size of the Indian economy is \$2.7 trillion. Though a distant, aspirational and challenging dream, it is very much possible to make India a \$5 trillion economy (almost doubling it) by 2024-25. However, there exist some stepping stones to reach the end goal. Indian real estate industry is and can be an important stakeholder as well as a contributor towards this remarkable feat. The real estate sector has remained a key driver of economic growth in India. It is the second-largest job provider after the agriculture sector. However, with a depressing decade in the backdrop, making a comeback and simultaneously contributing to nation-building will be a difficult task.

Let us discuss the ways in which the real estate sector can contribute to the growth story of India.

Infrastructural overhaul

A hand in glove relationship defines the bond between infrastructure and the real estate sector. While the former lays the ground for faster connectivity and transportation, real estate boost along the express corridors have a domino effect on the overall economic activity of the region. Projects such as Bharatmala Pariyojana, Delhi Mumbai Industrial Corridor, Ganga Expressway and Chennai-Bangalore Expressway are an excellent example of infrastructure-led development.

The Union Budget 2020-21 has also made provision for the improvement of the infrastructure. To ensure that the lack of infrastructure does not become a hindrance to the growth of the economy, a 'National Infrastructure Pipeline' to the tune of Rs 100 lakh crore has been unleashed by the Central Government. Multimodal infrastructure such as roads, railways, and metro improves living conditions and gives a boost to the residential, commercial, retail and warehousing real estate. Huge investment through Public-Private Partnership (PPP) in infrastructure will certainly help the country double its economic potential in the next five years.

Sharing his opinion over the matter, Zulquer Nain, General Manager, Projects, REPL, says, "The development and growth of real estate sector are necessary if India is to realise its goal for a \$ 5 trillion economy by FY 2024-25. The Government has already built a healthier and more attractive investment sector by laying the foundation for a structured and transparent policy regime. Regulatory reforms such as RERA, GST, REIT and IBC, and relaxation in foreign direct investment norms have led to increased consumer demand. Real estate sector as a growth engine cannot be overlooked to launch the Indian economy into the world's top league as the sector's growth catalyses the allied industries as well. Over the years, the real estate sector's growth has been crucial for driving the economy and creating jobs. The Government continues to focus on infrastructure development, which opens up the periphery and create new growth prospects for residential, commercial, retail, hospitality and warehousing projects with positive multiplier effects."

Employment generation

The construction and real estate sectors have been two of the biggest employment providers of India. If we take into account the economic survey of 2018, the construction sector will employ over 52 million workforces in the next five years. According to the Confederation of Real Estate Developers Association of India (CREDAI), given the government push to the affordable housing segment, the construction industry would require an additional 38 million workers by 2030.

With an enormous employment potential, the real estate sector can be a solid stepping stone towards doubling the economic potential of the economy.

Transparency and best practices

The implementation of practices for inducing transparency of the highest degree into the real estate sector will certainly give a fillip to the economic activities. So far, the Government has taken such measures in the form of the implementation of Real Estate (Regulation and Development) Act (RERA), amendments to the Insolvency and Bankruptcy Code (IBC) and handholding the affordable housing sector to revive the buyer interest. The introduction of an Alternative Investment Fund (AIF) is also an initiative by the Government to kick-start the stuck realty projects by pumping in institutionalised finance.

Transparent preemptive disclosures, fair payment and refund system, and keeping the potential homebuyers in the loop will restore the partially lost buyer confidence into the real estate sector. The developer community has a significant role to play in this regard.

Investor's participation

Along with the Government expenditure, active participation from the private investors through PPP mode will go a long way in boosting the economic and infrastructural state of the Indian economy. According to a research report from IBEF, the real estate sector of India attracted private equity and venture capital investment of \$1.47 billion between January and March 2019. Further, the investment instrument of real estate, i.e. Real Estate Investment Trust (REITs) has the potential to attract foreign investors. The recent move by the Securities and Exchange Board of India (SEBI) will allow even the retail investors to tap this unexplored territory.

Commenting on how Indian real estate can contribute to the \$5 trillion dream, Sagar Saxena, Project Head, Spectrum Metro, says, "The avenues for growth and diversification are opened as the demand for smart and advanced spaces is on the rise. Be it the residential segment or the commercial; the investors can expect a steady turn around as compared to the last year. The category of affordable housing has received a relevant push from the amendment in government policies, which is likely to prove attractive for the low and middle-income group buyers as well. Another announcement by the Finance Minister in the Budget 2020-21 pertaining to new infrastructure plans such as the establishment of 100 new airports is going to be a major force for boosting the real estate industry. All these factors will be working collectively to make India's realty sector a crucial contributor towards the \$5 trillion economy goal."

Conclusively, riding on the demand-boosting measures by the Government such as AIF and support to the affordable housing along with abolition of Dividend Distribution Tax (DDT) in Budget 2020-21, the Indian real estate sector is poised to contribute to the dream of \$5 trillion economy in a significant way. Transparent and predicative policies by the Government and employment of best practices by the developer community will go a long way in achieving the feat.