

India's real estate boom attracts foreign players

by Laurie Osborne, Editor

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Driven by positive growth in the economy, the property market in India is booming, report the IBRF. The year 2006 started on a promising note when the Government of India opened the construction and development sector in February, allowing 100 per cent foreign direct investment (FDI) under the 'automatic route' in order to spur investment in the vital infrastructure sector.

The relaxation of the FDI ceiling saw big names like Dubai-based Emmar Properties - the largest listed real estate developer in the world - joining hands with the Delhi-based MGF Developments to announce India's largest FDI in the realty sector amounting to over US\$ 500 million in projects having capital outlay of US\$ 4 billion. Groups showing interest in India include insurance company American International Group Inc (AIG), High Point Rendel of the UK, Edaw-US, Japan's Kikken Sekkel, Lee Kim Tah Holdings and Cesma International from Singapore. The development of real estate in India focuses on two primary areas: retail and residential.

The global real-estate consulting group Knight Frank has ranked India 5th in the list of 30 emerging retail markets and predicted an impressive 20 per cent growth rate for the organized retail segment by 2010. The organized segment is expected to grow from a mere 2 per cent to 20 per cent by the end of the decade, it said.

The boom is also attracting interest from foreign players. Vancouver-based Royal Indian Raj International Corporation (RIRIC) will invest a staggering US\$2.9 billion in a single real-estate project named Royal Garden City in Bangalore over a period of 10 years. The retail value of the project is estimated at US\$ 8.9 billion. Morgan Stanley Real Estate announced that it has invested around US\$ 68 million in Mantri Developers Private Ltd, a private Bangalore-based real estate developer.

Key trends of the real estate boom

A report on real estate trends by Merrill Lynch said that the number of malls in Mumbai, Bangalore, New Delhi, Hyderabad and Pune was expected to grow to about 250 by 2010 as against 40 now. In terms of total area, there was 12.4 million square feet (mn sq ft) of mall space available in these cities, the report said, quoting a survey by Knight Frank India.

As the competition in the market is intense, builders are going out of their way to be different. Specialized malls have become the order of the day. Gurgaon, on the suburbs of new Delhi will soon have an auto mall, while Bangalore is about to get an exclusive furniture mall. Gurgaon is set to get the biggest mall of the world -- a large US\$ 89.78 sq ft sprawling property that is being developed by DLF Universal to be known as the Mall of India.

Similarity in the home segment, which is driven by the availability of easy home finance, most builders are trying to woo investors with interesting features. Closed-circuit television and earthquake proofing are expected as standard features in most up market blocks.