



PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

DETERMINANTS OF REAL ESTATE

A survey of Delhi NCR

PHD Research Bureau
PHD Chamber of Commerce and Industry



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January 2016

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Determinants of Real Estate: A survey of Delhi NCR

From President's Desk



Dr. Mahesh Gupta

Real Estate sector in India has assumed a growing importance with the liberalisation of the economy. Several demand drivers have boosted the growth of our real estate sector such as rising economic growth, robust services sector, growing tourism, rapid urbanization, large pool of middle income class consumers with high disposable income, tax savings on home mortgage products, mounting foreign investments and growth in organized retail.

India's real estate has performed well since past few years mainly buoyed by increasing demand for commercial and residential townships, industrial parks, shopping malls, encouraging investment sentiments by the international retailers.

The sector is a key employment driver after agriculture for the Indian economy because of a chain of backward and forward linkages with the other sectors of the economy, especially with the housing and construction sector. Ancillary industries such as steel, cement, brick, timber, building materials etc. are dependent on the growth of real estate industry. However, a major policy concern for India is the widening gap between demand and supply of housing units

Boost to the housing and construction sector will facilitate generation of more and more employment opportunities in the economy and a strong rebound in the demand scenario. Reduction in EMIs would help increase in disposable income of the people and increased level of savings in the economy.

In the forthcoming Union Budget 2016-17, a deduction of up to Rs 5 lakh from the current level of Rs. 2 lakhs for interest paid on a home loan on a self-occupied house while calculating the taxable income for a given year will give a boost to the demand in housing sector.

Enhanced deduction to the level of Rs. 5 lakhs would provide a significant fillip to the economy and enhance India's GDP by another 2 percentage points and so will be the level of enhanced revenues of government. Further, decelerating prices of international commodities such as crude oil, steel and cement can be capitalized to give a boost to the construction sector and to build a strong India.

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Gopal S Jiwrajka

From Sr. Vice President's Desk

Historically, there has been a strong correlation between urbanization and economic growth across countries. Expansion of urban India is the platform for industrial and services sector growth and creation of employment opportunities for the youth of our country.

Rising urbanisation offers ample opportunities for real estate development as it will lead to establishment of several townships and rise in demand for quality real estate and extensive supporting infrastructure services. Therefore, meticulous planning of real estate development is required in the era of expansion of urban India in order to meet diverse needs of the investors and buyers of real estate properties.

However, urban sector continues to suffer from various structural problems and inadequate supply of basic urban services. Supply of land and housing has also not kept pace with the increasing urban population. Hence, there is a need to mobilize resources for accelerating urbanization, which calls for effective and innovative urban governance and efficient project planning and implementation.

In order to realize the opportunities that urbanization offers, a combination of several initiatives is needed in the direction to long term strategic urban planning, step up investments in urban infrastructure, strengthen urban governance and ensuring environmental sustainability.

Going ahead, the vision of the government on developing 'One hundred Smart Cities' for providing habitation for the neo-middle class will play critical role in marking the fast pace development of the real estate sector and the overall economy. The development of smart cities will provide a fillip to construction sector and will also emerge as an instrument to provide affordable housing to the people at large. This would also encourage infrastructure investments from national and foreign investors.

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Anil Khaitan

From Vice President's Desk

In the age of modernization and sustainable development, innovation in the real estate sector has become a pivotal catalyst for leaping the sector into a new-age of construction styles and methodology. The role of appropriate construction technologies and building materials in construction is crucial taking into account the rising demand for housing.

Promoting mass housing construction with improved construction technologies and methodologies can help execute housing projects more efficiently and in lesser time. It is necessary to adopt and promote modern know how and technologies covering the entire range of end users for affordable housing, multi -storeyed residential blocks, office complexes, commercial and retail space.

Construction techniques such as pre-fabricated and modular construction and innovative construction materials can further help execute projects quickly and with reduced resources. Further, offering subsidies and waiving off import duty on special construction equipments, technologies, materials, promoting active research and development for the development and marketing of newer, more effective technologies will help to realize vision of the Government of housing for all by 2022.

Going ahead, the sector should be accorded industry status to facilitate the genuine real estate players and investors to come forward. The sector should work towards increasing transparency to improve investor and buyer confidence, easing out of regulatory framework and developing skilled manpower for overall growth of real estate sector.

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Saurabh Sanyal

From Secretary General's Desk

India's real estate sector is poised for significant growth in the coming times coupled with opportunities such as growth in income levels, increasing urbanisation and rising demand for housing. However, the factors determining the sentiments of buyers and investors play a critical role in determining the demand of real estate sector.

In this context, PHD Research Bureau of PHD Chamber has undertaken a study on **"Determinants of Real Estate: A survey of Delhi NCR"** to gain deeper understanding of notions of buyers of real estate properties in Delhi-NCR. The study identifies the determinants influencing the buying behaviour of consumers.

I commend and appreciate the tireless efforts of PHD Research Bureau led by Dr. S P Sharma, Chief Economist and Ms. Surbhi Sharma, Sr. Research Officer, PHD Chamber for producing this study which will help the stakeholders of the real estate sector in Delhi NCR to understand the factors critical for buyers of real estate properties.

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Executive Summary

Real Estate sector in India has assumed growing importance with the liberalisation of the economy. Increase in business opportunities and migration of the labour force have, in turn, increased the demand for commercial and housing space, especially rental housing. The sector is a key employment driver for the Indian economy after agriculture because of a chain of backward and forward linkages with other sectors of the economy, especially the housing and construction sector.

There exists several demand drivers for the real estate sector in the Indian economy such as rising economic growth, robust services sector growth, growing tourism, rapid urbanization, large pool of middle income class consumers with high disposable income, tax savings on home mortgage products, increasing foreign investments, growth in organized retail and international retailers entering the country, etc.

The present study was undertaken to understand the perception of real estate buyers and thus to find the determinants influencing their buying behaviour. Accordingly, a survey was undertaken to analyse their perception and also the growth prospects of the real estate sector in Delhi NCR.

The survey has revealed that about 47% of the respondents buy properties in the Delhi NCR for residential purpose, followed by 36% for earning decent returns on their investments on property in the near future. While 21% of the respondents make investments for buying commercial space such as offices requirements, 16% for the purpose of rent or lease, 14% for retailing, 11% for gifting and 6% respondents for warehousing.

According to the survey, around 73% of respondents have availed of loan for buying real estate properties while remaining 27% respondents didn't avail of any such loan for purchasing real estate properties. The survey has revealed that respondents who have availed of loan have stated that almost 65% of the total cost of the real estate project is financed through availing loan facilities.

The survey has revealed that about 90% respondents consider price to be most important factor while considering investment in real estate. Factors including construction quality, gated community and brand name of the builder were important to around 70% of the respondents. About 60% respondents prefer investments in corner plots, while availability of loan and power and utility back-up has been considered important to 57% and 51% respondents respectively. On the other hand determinants including proximity to metro and vastu compliance hold significance to around 43% and 22% respondents respectively. Other factors include locality, legal payments, future prospects of the place and rent receivables etc. has been considered important by 18% respondents.

About 58% respondents states that high rate of interest on loans affects real estate investments to a high degree. While 51% respondents believes that high rate of inflation in the economy also majorly impact their buying behaviour and 49% responded that wage rate is also one of the critical factors in determining their purchasing decisions. On the other hand, growth scenario of the

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economy (44%), global economic uncertainties (28%) and volatile currency scenario also impact the investment sentiments in real estate sector.

According to a large share of respondents (76%) construction of metro has resulted in widening their choices of buying properties and has motivated their investment sentiments in buying real estate properties nearby Metro stations. However, 24% of them have felt that metro construction has not only boosted investment sentiments, but has resulted in increase in property prices.

According to the survey, Gurgaon has been preferred as the most attractive and emerging real estate investment destination, followed by Delhi, Noida, Faridabad and Alwar. Almost all the respondents have unanimously opined that the investment sentiments for real estate properties are expected to escalate in these regions in the near future.

The respondents have enumerated a number of issues and concerns faced by them while making real estate investments. Almost all the respondents have unanimously stated that excessive time and manpower are required to look for an appropriate real estate investment. Arrival of e-marketing has benefitted significantly the real estate sector. Further, most of the respondents have reported that access to finance by way of loan has been a major concern. To take care of the risk of defaults, banks have imposed a number of conditions for lending property loans. High rates of inflation in the economy also majorly impact the saving patterns of households in a big way.

The survey reveals that investors have apprehensions about submission of registration fee prior to non-completion of the real estate projects. They have also stated that in case of non-completion of projects leads to emotional harassment in the form of legal cases and financial loss. The new real estate bill 2015 is expected to protect the interest of consumers, promote fair play in real estate transactions and ensure timely execution of projects.

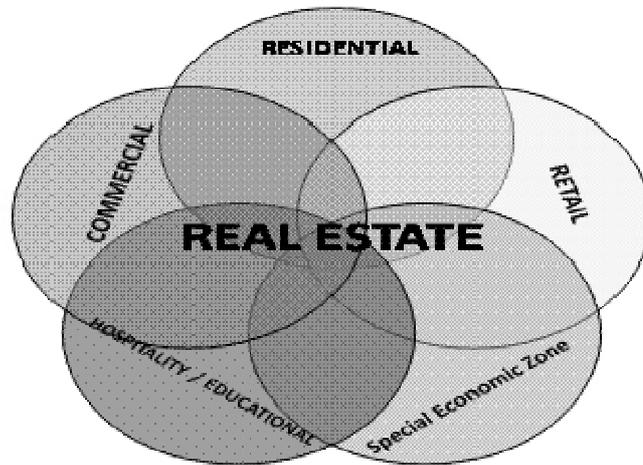
Several structural issues such as high gestation period of housing projects, limited and expensive capital, growing land and construction costs, high fees and taxes, unfavourable development norms and low affordability by Economically Weaker Section (EWS) and Lower Income Group (LIG) households are bottlenecks restricting desired growth in housing stock in India in relation to demand. Rigorous efforts are needed to form a nodal agency to facilitate fast track development of affordable housing projects, streamlining the approval process by introducing a single-window clearance mechanism, empowering EWS/LIG households with subsidies, lower loan interest rates, micro-financing, promoting rental housing and public private partnerships.

Further, rationalizing various indirect taxes levied on housing and channelizing higher investments in housing development projects, improving affordability through increasing budgetary support to the affordable housing and promoting mass housing construction technologies would help in achieving affordable housing for all, thereby uplifting the standards of living and providing a good quality of life to the population of the country in the coming times.

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1. Overview of Real Estate sector in India

The term 'real estate' is defined as land, including the air above it and the ground below it, and any buildings or structures on it. It is also referred to as realty¹. Real estate involves purchase, sale, and development of land, residential and non-residential buildings. It covers residential housing, commercial offices, trading spaces such as theatres, hotels and restaurants, retail outlets, industrial buildings such as factories and government buildings. The key players in the real estate market are the landlords, developers, builders, real estate agents, tenants, buyers etc and last but not the least, the financiers.



Real Estate as a sector has gained key importance in our economy in the past decade as it is an important constituent of social infrastructure. The contribution of the real estate sector along with ownership of dwellings² to India's GDP has been estimated at around 8% during 2013-14. The economic slowdown at domestic and global levels affected this sector with growth declining from 7.6% in 2012-13 to 6% in 2013-14.

With the liberalisation of our economy, Real Estate sector in India has assumed a growing importance. Increase in business opportunities and migration of labour force have, in turn, increased the demand for commercial and housing space, especially rental housing. Developments in the real estate sector are being influenced by the developments in the retail, hospitality and entertainment sectors such as hotels, resorts, cinema theatres, industries, economic services i.e. hospitals, schools and information technology (IT) & ITeS and vice versa.

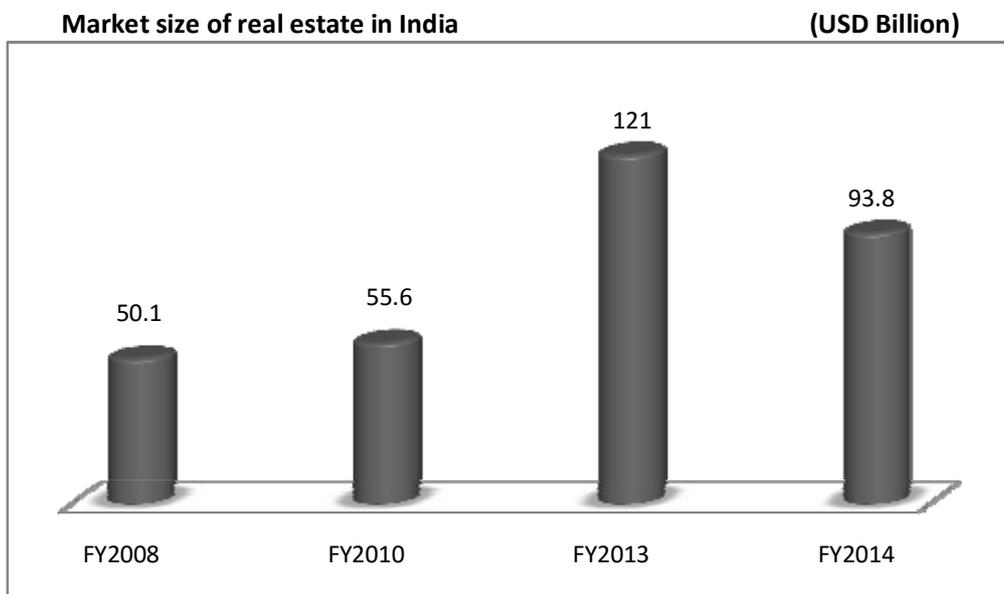
¹ 10th Five year plan, Government of India

² Economic Survey 2014-15, Government of India

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2. Real Estate: Growing Market in India

Real estate sector in India has performed well since the past few years mainly buoyed by the robust economic fundamentals, rising demand for commercial and residential townships, industrial parks and shopping malls and encouraging investment sentiments by people across the country. The market size³ of real estate in India has scaled up from USD 50 billion in FY2008 to about USD 121 billion in FY2013. However, it has scaled down to about USD 94 billion in FY2014. The market size of real estate is expected⁴ to reach by USD 853 billion by FY2028. It has been estimated that real estate in India is expected to increase at a CAGR of 15.2% during the period FY2008 to FY2028.



Source: PHD Research Bureau compiled from IBEF

3. Real estate: A major employment driver in India

Real estate sector is a key employment driver for the Indian economy after agriculture because of a chain of backward and forward linkages with other sectors of the economy, especially with the housing and construction sector. About 250 ancillary industries such as cement, steel, brick, timber, building materials etc. are dependent on the real estate industry⁵. It has been estimated that every rupee⁶ invested in housing and construction

³ India Brand Equity Foundation

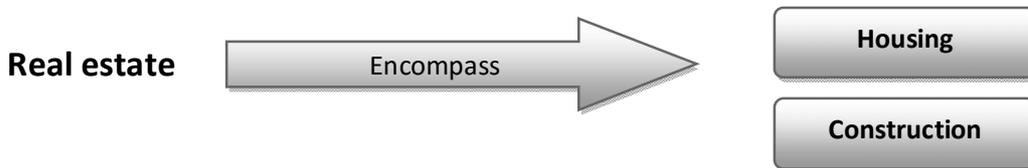
⁴ India Brand Equity Foundation (IBEF), January 2016

⁵ Tenth Five Year Plan, Planning commission, Government of India

⁶ Economic Survey 2013-14, Government of India

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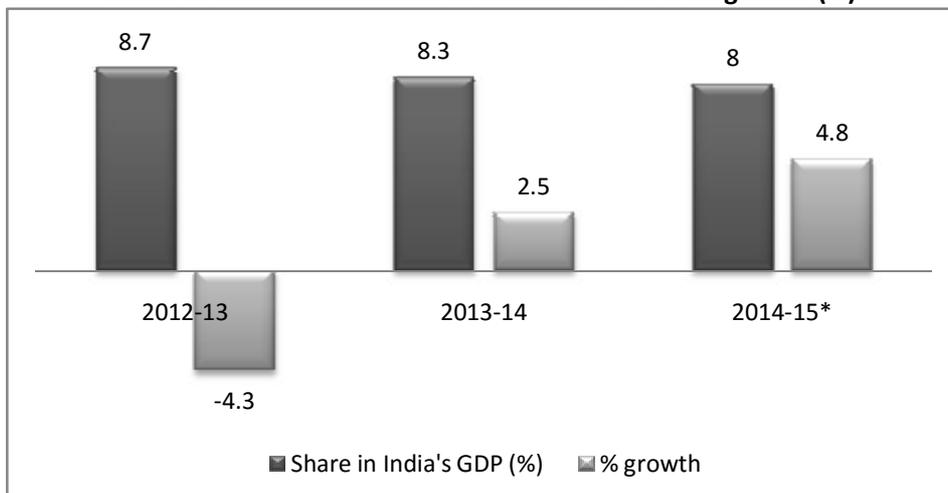
adds 78 paise to the GDP. Therefore, growth of the real estate sector is fundamental to the development of housing and construction sector.



4. Growth of construction sector

The construction sector has two key segments i.e. buildings, falling into one or other of the categories such as residential, commercial, institutional and industrial and infrastructure such as road, rail, dams, canals, airports, power systems, telecommunication systems, urban infrastructure including water supply, sewerage, and drainage and rural infrastructure. The construction sector holds about 60-80% of project cost of roads and housing, while remaining in other infrastructure sectors⁷. The contribution of construction sector in India’s GDP stood at 8% in 2014-15 with a growth rate of 4.8% as against 8.3% contribution in India’s GDP in 2013-14 with a growth of 2.5%.

Share of construction sector in India’s GDP vis-a-vis growth (%)



Source: PHD Research Bureau compiled from Economic Survey 2014-15, Government of India* Data pertains to provisional estimates of annual national income 2014-15, MOSPI

⁷ Twelfth Five Year Plan, 2012-17, Planning Commission, Government of India

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5. Housing sector critical for economic growth

Shelter is one of the basic human needs after food and clothing. Housing is considered as an engine of economic growth and can give a big push to the economy through its strong backward and forward linkages. It holds significant role in contributing to capital formation, generation of employment, and income opportunities. However, a major policy concern for India is the widening gap between demand and supply of housing units. At the beginning of the 12th Five Year Plan, there was housing shortage of around 19 million units of which about 96% was in economically weaker sections (EWS) / low income group (LIG) segments⁸.

6. Government policies focusing on real estate sector to prosper

There exists several demand drivers for the real estate sector in the Indian economy such as rising economic growth, robust services sector growth, growing tourism, rapid urbanization, large pool of middle income class consumers with high disposable income, tax savings on home mortgage products, increasing foreign investments, growth in organized retail and international retailers entering the country, etc.

In order to boost the real estate sector, Government has taken several steps in this direction as under:

- **Housing for all** under the “Vision for Team India” which includes 2 crore houses in Urban areas and 4 crore houses in Rural areas by 2022.
- **Pradhan Mantri Awas Yojana** to promote Hosuing for all (urban). The Mission will be implemented during 2015-2022 and will provide central assistance to Urban Local Bodies (ULBs) and other implementing agencies through States/UTs for in-situ rehabilitation of existing slum dwellers using land as a resource through private participation, Credit Linked Subsidy, Affordable Housing in Partnership and Subsidy for beneficiary-led individual house construction or enhancement.
- An amount of Rs. 22,407 crore has been allocated for housing and urban development in the Budget 2015-16.
- **Deduction limit on account of interest on loan** in respect of self occupied house property stands now at Rs. 2 lakh.
- **100% FDI under automatic route permitted** in the construction development sector.

⁸ Annual report 2014-15, Ministry of Housing and Urban Poverty Alleviation, Government of India.

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- **Reduced the minimum floor area** for construction projects to 20,000 sq. m from the earlier 50,000 sq.m and bringing down the minimum capital requirement to USD 5 million from USD 10 million.
- Setting up of **Real Estate Investment Trusts (REITs)** - SEBI has approved the REITs regulation, which would widen the real estate market and boost funds entering the organised real estate sector.
- **Rationalisation of capital gains regime** for the sponsors exiting at the time of listing of the units of REITs and InvITs (infrastructure investment trusts). It will give a fillip to investments in realty and infrastructure sectors. Further, these tax incentives would give much needed relief to the real estate sector, which is facing a huge slowdown in demand from last few years that had led to liquidity crunch and delay in completion of existing projects.
- In order to push development of affordable housing and achieve the target of housing for all by 2022, the **Reserve Bank of India (RBI) relaxed norms for issue of long-term bonds by banks for financing affordable housing.**
- **Cabinet approves Real Estate (Regulation and Development) Bill, 2015** with an objective to protect the interest of consumers, promote fair play in real estate transactions and to ensure timely execution of projects.
- **Land acquisition Bill** is expected to speed up the process for industrial corridors, social infra, rural infra, housing for the poor etc.

Managing urbanization in India

Hon'ble Prime Minister, Shri Narendra Modi launched three mega urban schemes viz., Smart Cities Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Housing for All in Urban Areas, thus setting in motion the process of urban transformation to enable better living and drive economic growth. The Government is committed to enable 2 crore houses in urban areas⁹ by the year 2022 which is the 75th year of Independence of the Country.

Historically, there has been a strong correlation between urbanization and economic growth across countries. Empirical studies show that middle income countries reach about 50% urbanization and high income countries typically have 70–80% urbanization¹⁰. However, in India, we are lagging behind on urbanization. In the twenty years since the start of reforms, the proportion of urban population has increased from 28% in 1991 to just about 31% in 2011 and is expected to exceed¹¹ 40% by 2030.

⁹ Union Budget 2015-16, Government of India

¹⁰ Rejigging the Elephant Dance, speech by Dr. Duvvuri Subbarao, Governor, Reserve Bank of India at Haksar Memorial Lecture.

¹¹ Faster, Sustainable and more inclusive growth, an approach paper to the twelfth five year plan, Government of India

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Urbanization in India has become an important determinant of national economic growth. The expansion of urban India is the platform for industrial and service sector growth and the creation of employment opportunities for the youth of our country. Rising urbanisation offers ample opportunities for real estate development as it will lead to establishment of several townships and rise in demand for quality real estate and extensive supporting infrastructure services. Therefore, meticulous planning of real estate development is required in the era of expansion of urban India in order to meet diverse needs of the investors and buyers of real estate properties.

The government acknowledges the importance of housing issue in the country and has launched massive campaigns that promise to provide housing to all its citizens by the year 2022. However, several structural issues such as high gestation period of housing projects, limited and expensive capital, growing land and construction costs, high fees and taxes, unfavorable development norms and low affordability by Economically Weaker Section (EWS) and Lower Income Group (LIG) households are bottlenecks restricting desired growth in housing stock in India with respect to housing demand.

To ensure housing for all, massive efforts are required to locate the non-essential lands currently being held by large government bodies such as Indian Railways, Ministry of Public Enterprises, Port Trusts and Department of Heavy Industries. Unlocking such lands while speeding up the approval process and creating incentives for private sector participation are all needed as part of a large, coordinated effort to realize the vision of Housing for All by 2022.

The below mentioned suggestions will facilitate in achieving the desired objectives of the missions launched by our Government and provide affordable housing to all, thereby uplifting the standards of living and providing a good quality of life to the people of the country in the coming times.

- **Form a nodal agency to facilitate fast track development of affordable housing projects-** The Central Government could explore forming a nodal agency under the Ministry of Housing and Urban Poverty Alleviation to facilitate fast track development of affordable housing projects. This nodal agency could be a coordinating agency amongst the private sector, consumers, lending institutions, investors, various housing regulatory agencies, infrastructure sector ministries, state governments and ULBs (Urban local Bodies).
- **Streamline the approval process by introducing a single-window clearance mechanism** as on an average a developer requires 30 to 40 different approvals from central and state level agencies to start a construction project.

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- **Empower EWS/LIG households with subsidies, lower loan interest rates, micro-financing-** We appreciate the initiative of interest subsidy to economically weaker sections of the society and home to slum-dwellers at no cost through a PPP slum rehabilitation project. There is a need to empower the economically weaker sections of the society by bridging the gap between affordability and availability for households. This can be achieved by a two-pronged strategy. First of all, the government should work towards reducing the cost of housing development. Secondly, the government should try and plug the affordability gap by empowering households to own a house. Some suggestions in this direction could be; increasing penetration of banking services and rationalization of various fees and taxes.
- **Promote rental housing-** Rental housing is important for addressing the needs of low-income residents in the context of a rapid rise in the urban population. However, rent control policies aimed at protecting tenants have deterred investments in rental housing in India. Therefore, a new rental law which is balanced in favour of both the tenant and the land-lord could be drafted by the central government. A balanced rental law would not only solve housing problems of people, but also help in the development of a formal rental market in India.
- **Develop PPP framework** to encourage private participation in housing construction projects.
- **Rationalize various indirect taxes levied on housing and channelizing higher investments in housing development projects-** Government should provide relief on stamp duty, service tax, registration and development fees to give a boost to the housing projects.
- **Improved affordability through increasing budgetary support to the affordable housing-** Tie-up with banking institutions and increasing the budgetary support by increasing the upper limit for soft loans for housing projects would improve the affordability of houses by EWS or LIG sections.
- **Promote mass housing construction technologies-** Improved construction technology and methodologies can help execute housing projects more efficiently and in lesser time. Construction techniques such as pre-fabricated and modular construction and innovative construction materials can further help execute projects in lesser time and with reduced resources. Further, offering subsidies and waiving off import duty on special construction equipments, technologies and materials, promoting active research and development for the development and marketing of newer, more effective technologies will help to realize vision of housing for all by 2022.

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Forthcoming Union Budget of India 2016-17 must focus on demand generation and revival of housing sector

Boost to the housing and construction sector will facilitate generation of more and more employment opportunities in the economy and a strong rebound in the demand scenario. Reduction in EMIs would help increase in disposable income of the people and increased level of savings in the economy.

In the forthcoming Union Budget 2016-17, a deduction of up to Rs 5 lakh from the current level of Rs. 2 lakhs for interest paid on a home loan on a self-occupied house while calculating the taxable income for a given year will give a boost to the demand in housing sector.

Enhanced deduction to the level of Rs. 5 lakhs would provide a significant fillip to the economy and enhance India's GDP by another 2 percentage points and so will be the level of enhanced revenues of government. Further, decelerating prices of international commodities such as crude oil, steel and cement can be capitalized to give a boost to the construction sector and to build a strong India.

Going forward, Union Budget 2016-17 must focus on increasing disposable income of people and give a boost to the housing and construction sector. To achieve this, deduction on housing loan shall be an ideal way to generate domestic demand that will steer economic growth in the coming times.

7. Brief introduction about National Capital Region (NCR)

National Capital Region (NCR) is a distinct example of interstate regional planning for development of a region with NCT-Delhi as its core. It encompasses¹² an area of about 34,144 sq kms falling in the territorial jurisdiction of states of Haryana, Uttar Pradesh, Rajasthan and NCT of Delhi. The region accounts for about 1.6% of the country's land area. The districts falling in the region Haryana are Faridabad, Gurgaon, Mewat, Rohtak, Sonapat, Rewari, Jhajjar, Panipat and Palwal, while in Uttar Pradesh are Meerut, Ghaziabad, Gautam Buddha Nagar, Bulandshahr, Hapur and Baghpat and Alwar district falls in Rajasthan.

¹² Annual Report 2013-14, National Capital Region Planning Board, Ministry of Urban Development, Government of India

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Sub region wise area details

Sub Region	Area in sq. kms	% area of the NCR
Haryana	13,428	39.3
Uttar Pradesh	10,853	31.8
Rajasthan	8,380	24.5
NCT of Delhi	1,483	4.4
Total	34,144	100

Source: PHD Research Bureau compiled from Annual Report 2014-15, National Capital Region Planning Board, Ministry of Urban Development, Government of India

8. Objectives of the study

The present study was undertaken to understand the perception of real estate buyers and thus to find the determinants influencing their buying behaviour. Accordingly, a survey was undertaken to analyse their perception and also the growth prospects of the real estate sector in Delhi NCR.

The specific objectives of the study pertain:

- To study the preferences in buying real estate properties in Delhi NCR (National Capital Region)
- To know the source of information on real estate investments
- To analyse the purpose of real estate investments
- To study the determinants of real estate investments
- To analyse factors impacting the real estate sector
- To study the impact of metro construction on real estate sector
- To know the emerging real estate investments destinations across Delhi NCR

9. Research methodology

The present study attempts to understand the determinants influencing the purchasing behaviour of buyers of real estate properties in Delhi NCR. The key activities to conduct the survey were initiated in August 2014 and lasted till September 2015. The activities ranged from preparation of questionnaire, data retrieval, verification of survey findings and inputs from buyers of real estate properties in Delhi NCR.

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10. Survey findings

India's real estate sector is poised for significant growth in the coming times coupled with opportunities such as growth in income levels, increasing urbanisation and rising demand for housing. Going ahead, the real estate sector would play a critical role in attracting investments, generating jobs for millions of our young population and contributing to the GDP of our country.

10.1 Sample Characteristics

The buyers of real estate properties were surveyed to analyse their perception regarding investments and growth prospects of the sector in Delhi-NCR. Responses were invited from individuals who were randomly selected across various segments of the society and the sample size chosen for the study is 1,244. Their responses have been put together and inferences on the aggregation are represented in terms of averages and percentages. Out of the total 1,244 respondents, 67% are males and remaining 33% are females. About 62% of the sample respondents are married, while 38% are single.

A large share of the respondents surveyed belonged to age group of 26-40 years, representing 44% of the total sample population. It was followed by individuals within 41-60 years (27%), within 18-25 years (22%) and more than 60 years (7%). The largest share of respondents is from service background contributing to 48% of responses, followed by 31% respondents engaged in business and 21% are professionals.

The survey has revealed that out of the total respondents, 41% of respondents have household income^[1] more than INR 50,000 per month. It was followed by respondents earning in the range of INR 40,001-50,000 per month (32%) and INR 30,001-40,000 per month (17%) and remaining respondents' earning in the range of INR 20,000-30,000 per month (10%) . For nearly 48% of the respondents, husbands are the chief earner in their household.

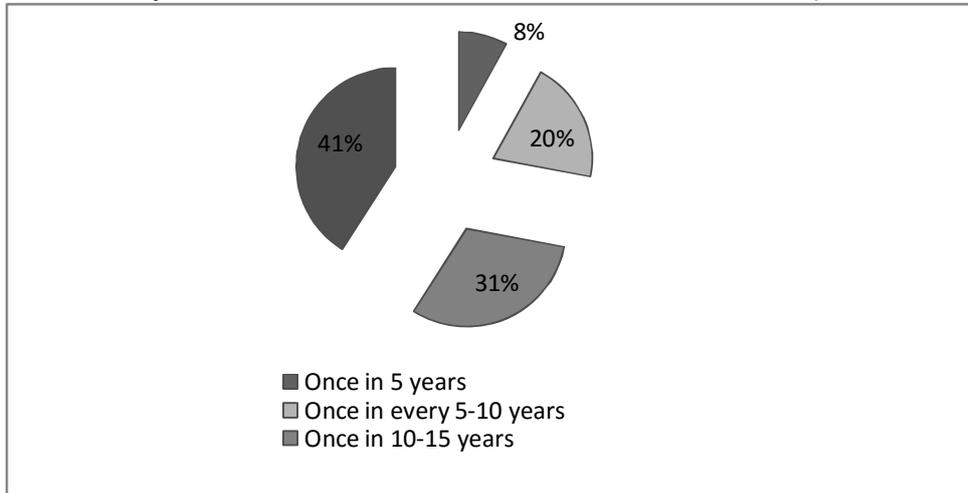
10.2 Period of preference for investments in real estate

According to the survey, nearly 41% of the respondents preferred to make investments in real estate after 15 years, followed by 31% respondents preferred to make investments once in 10-15 years, 20% in 5-10 years and remaining 8% respondents once in 5 years.

^[1] Household income includes income generated by all earning members of the family

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Period of preference for investments in real estate (responses in %)



Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR

10.3 Source of information on real estate investments

The survey has revealed that nearly 80% of the respondents have come to know about the real estate investment avenues through personal contacts such as family members, relatives, friends, colleagues, etc. While 72% of respondents came to know through real estate brokers, agents or dealers, 68% respondents through newspapers or magazines or hoardings and 36% respondents through SMS alerts. It has also been observed that gradually other means of marketing are also increasing for generating awareness and publicity regarding real estate projects such as online social networking, internet, television, etc.

Source of information on real estate investments (responses in %)



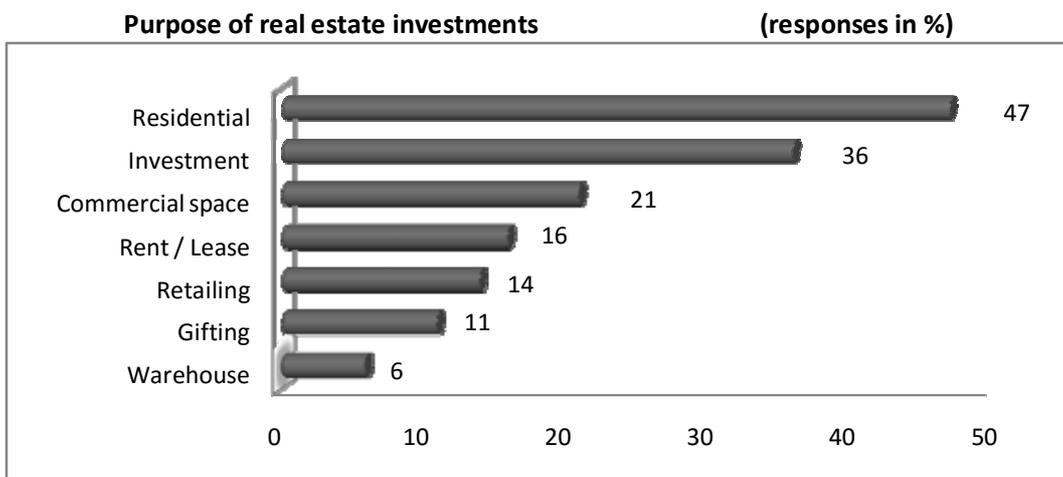
Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR

Note: Multiplicity of options have been chosen by the respondents

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10.4 Purpose of real estate investments

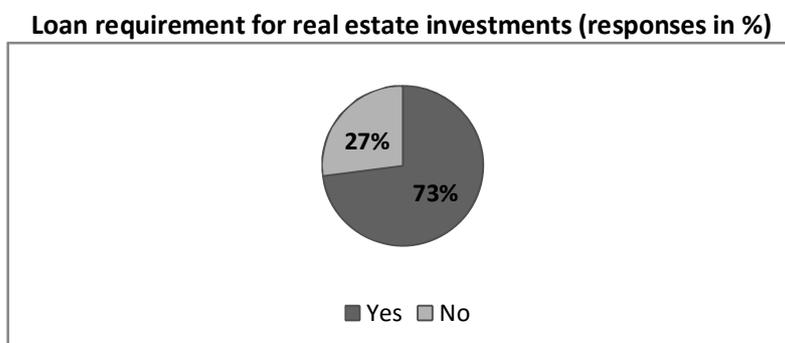
The survey has revealed that about 47% of the respondents buy properties in the Delhi NCR for residential purpose, followed by 36% for earning decent returns on their investments on property in the near future. While 21% of the respondents make investments for buying commercial space such as office requirements, 16% for the purpose of rent or lease, 14% for retailing, 11% for gifting and 6% respondents for warehousing.



Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR
Note: Multiplicity of options have been chosen by the respondents

10.5 Loan requirement for real estate investments

According to the survey, around 73% of respondents have availed of loan for buying real estate properties while remaining 27% respondents didn't avail of any such loan for purchasing real estate properties. The survey has revealed that respondents who have availed of loan have stated that almost 65% of the total cost of the real estate project is financed through availing loan facilities.



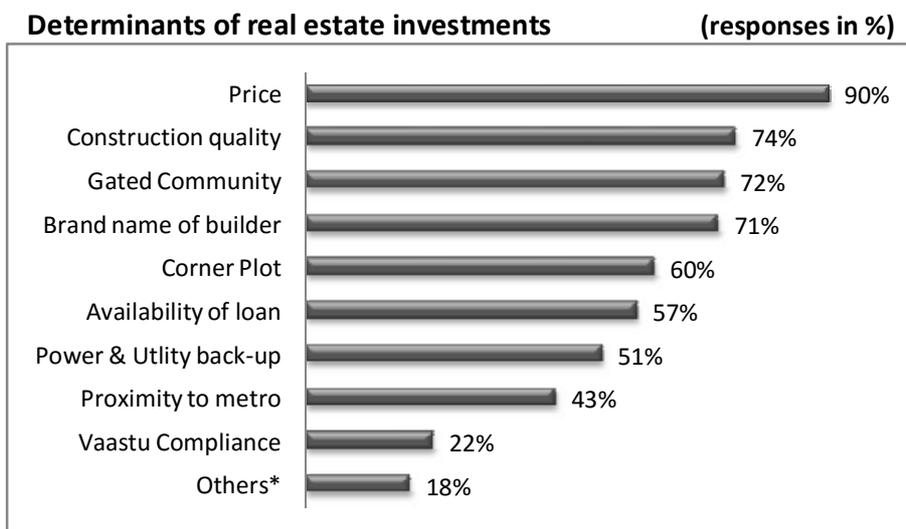
Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR

Determinants of Real Estate: A survey of Delhi NCR

10.6 Determinants of Real Estate investments

The survey revealed that about 90% respondents consider price to be most important factor while considering investment in real estate. Factors including construction quality, gated community and brand name of the builder were important to around 70% of the respondents. About 60% respondents preferred investments in corner plots, while availability of loan and power and utility back-up were considered important to 57% and 51% respondents respectively.

On the other hand determinants including proximity to metro and vastu compliance hold significance to around 43% and 22% respondents respectively. Other factors include locality, legal payments, future prospects of the place and rent receivables etc. which were considered important by 18% respondents.



Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR

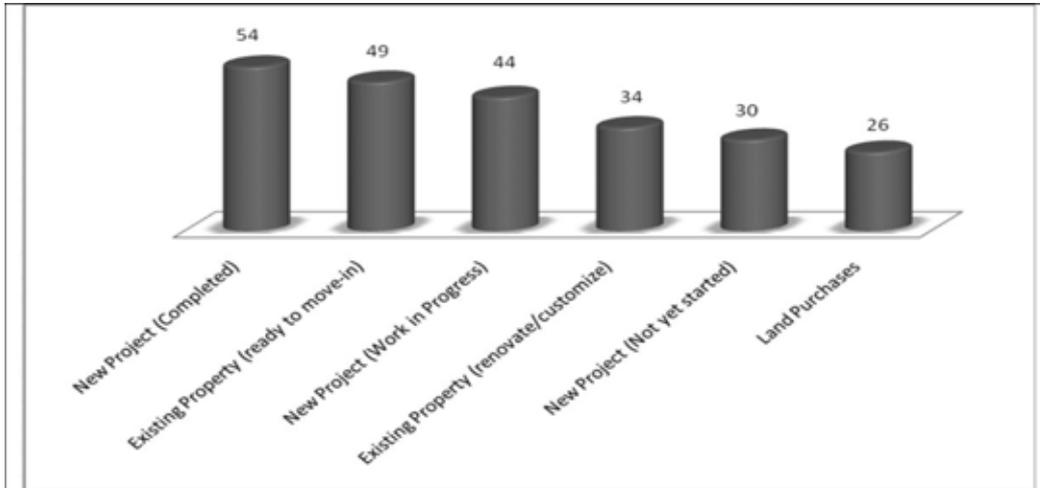
Note: Multiplicity of options have been chosen by the respondents, * Others includes locality, rent receivable, legal payments, future prospects of the place etc.

10.7 Preference for type of real estate investments

According to the survey findings, 54% respondents prefer to make investments in new projects which are completed, while 49% prefer investments in existing property which are fully furnished and ready to move in conditions. Around 44% respondents prefer new projects which are under construction, 30% respondents prefer new projects which have not started yet and 26% respondents prefer to buy land or plots.

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Preference for type of real estate investments (responses in %)

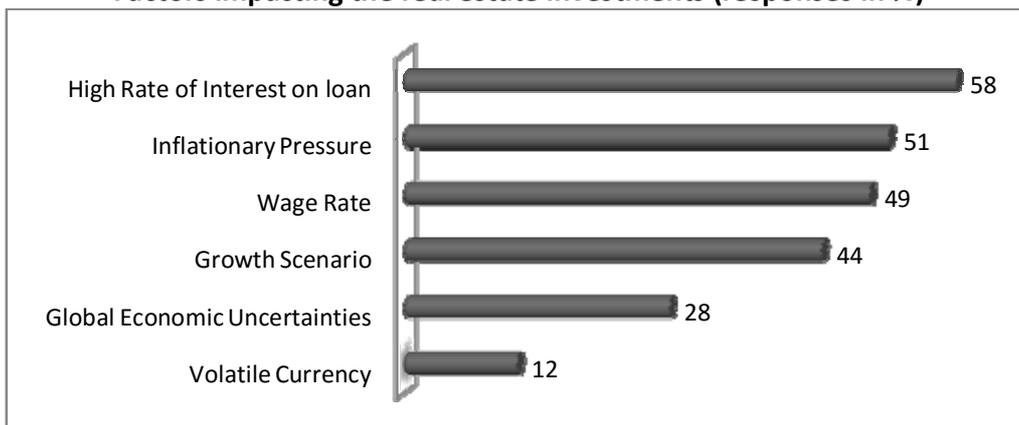


Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR
Note: Multiplicity of options have been chosen by the respondents

10.8 Factors impacting the real estate investments

About 58% respondents states that high rate of interest on loans affects real estate investments to a high degree. While 51% respondents believes that high rates of inflation also majorly impact the saving patterns of households in a big way and 49% responded that wage rate is also one of the critical factors in determining their purchasing decisions. On the other hand, growth scenario of the economy (44%), global economic uncertainties (28%) and volatile currency scenario (12%) also impact the investment sentiments in real estate sector.

Factors impacting the real estate investments (responses in %)



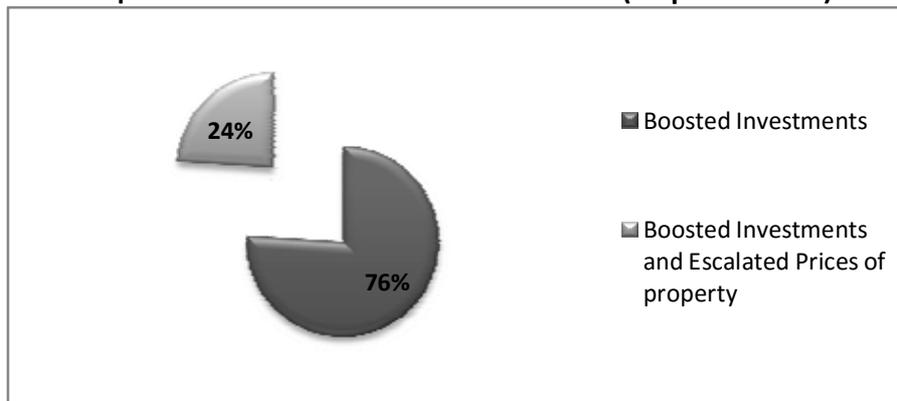
Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR
Note: Multiplicity of options have been chosen by the respondents

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10.9 Metro construction boosted investments; Soared property prices

According to a large share of respondents (76%) construction of metro has resulted in widening their choices of buying properties and has prompted them in buying real estate properties nearby metro stations. However, 24% of them felt that metro construction has not only boosted investment sentiments, but has resulted in increase in property prices.

Impact of Metro construction on real estate (responses in %)



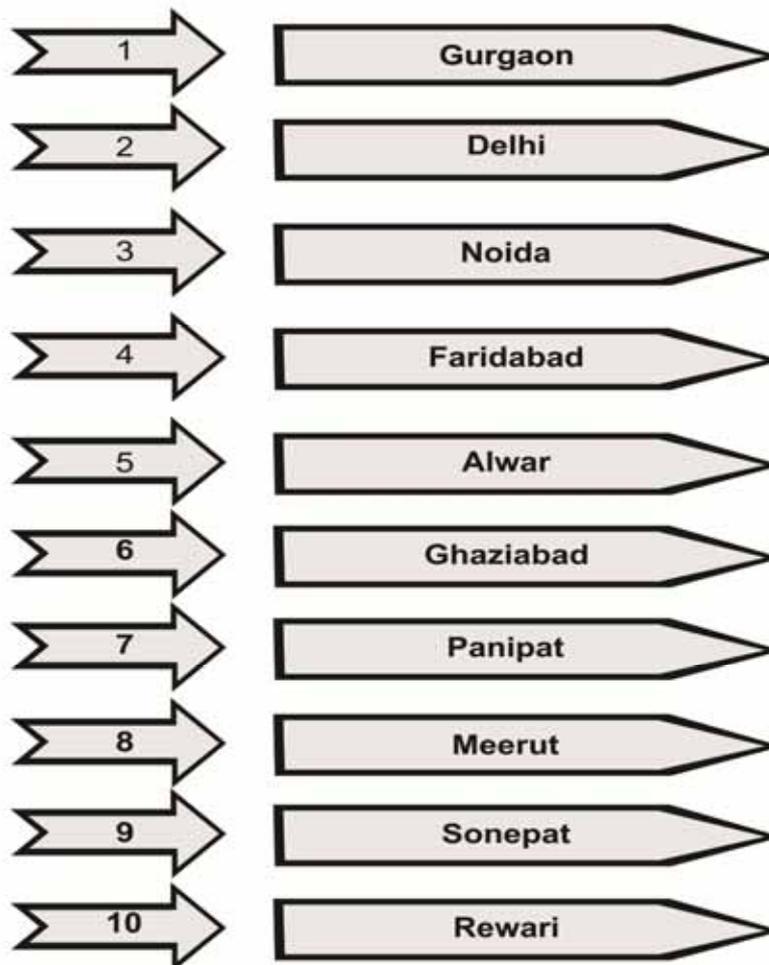
Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR

Determinants of Real Estate: A survey of Delhi NCR

10.10 Emerging real estate investments destinations

According to the survey, Gurgaon has been preferred as the most attractive and emerging real estate investment destination, followed by Delhi, Noida, Faridabad and Alwar. Almost all the respondents have unanimously opined that the investment sentiments for real estate properties are expected to escalate in these regions in the near future. Further, respondents added that good transport connectivity, existence of employment opportunities and availability of social infrastructure including schools, colleges, hospitals, etc have made these destinations attractive for real estate investments. According to the survey, investors in these areas are looking for attractive discounts or schemes by developers in the coming times.

Top ten emerging real estate investments destinations in NCR



Source: PHD Research Bureau Determinants of real estate: A survey of Delhi NCR

Determinants of Real Estate: A survey of Delhi NCR

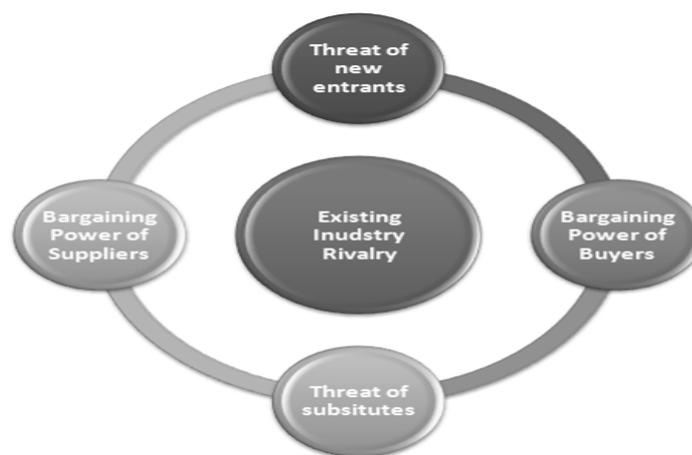
10.11 Key challenges faced while making real estate investments

The respondents have enumerated a number of issues and concerns faced by them while making real estate investments. Almost all the respondents have unanimously stated that excessive time and manpower are required to look for an appropriate real estate investment. Arrival of e-marketing has benefitted significantly the real estate sector. Further, most of the respondents have reported that access to finance by way of loan has been a major concern. To take care of the risk of defaults, banks have imposed a number of conditions for lending property loans. High rates of inflation in the economy also majorly impact the saving patterns of households in a big way.

The survey reveals that investors have apprehensions about submission of registration fee prior to non-completion of the real estate projects. They have also stated that in case of non-completion of projects leads to emotional harassment in the form of legal cases and financial loss. The new real estate bill 2015 is expected to protect the interest of consumers, promote fair play in real estate transactions and ensure timely execution of projects.

11. Real Estate: Porter's Five Forces Model

Porter's Five Forces analysis is a framework for industry analysis and business strategy development developed by Michael E. Porter of Harvard Business School in 1979. It is based on five forces that determine the competitive intensity and attractiveness of the market. Porter's five forces include earlier three forces from horizontal competition and two forces from vertical competition. Porter's five forces analysis¹³ for the real estate sector is as follows:



¹³ The analysis has been conducted on the basis of inputs received through survey

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According to the survey, it has been observed that there exists a strong competition due to existence of a large number of players operating in real estate sector in India. Brand value of the existing player for the consumers and long gestation period of real estate projects acts as a threat to new entrants. No specific substitutes are available for real estate market. Substitutes are mainly government-provided housing which is mostly limited to the economically backward class. Due to a large variety of quality players, the customers have many options available and are also becoming more discerning and demanding better quality.

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12. Conclusions and suggestions

Real Estate sector in India has assumed growing importance with the liberalisation of the economy. Increase in business opportunities and migration of the labour force have, in turn, increased the demand for commercial and housing space, especially rental housing. The sector is a key employment driver for the Indian economy after agriculture because of a chain of backward and forward linkages with other sectors of the economy, especially the housing and construction sector.

There exists several demand drivers for the real estate sector in the Indian economy such as rising economic growth, robust services sector growth, growing tourism, rapid urbanization, large pool of middle income class consumers with high disposable income, tax savings on home mortgage products, increasing foreign investments, growth in organized retail and international retailers entering the country, etc.

Urbanization in India has become an important determinant of national economic growth. Rising urbanisation offers ample opportunities for real estate development as it will lead to establishment of several townships and rise in demand for quality real estate and extensive supporting infrastructure services. Therefore, meticulous planning of real estate development is required in the era of expansion of urban India in order to meet diverse needs of the investors and buyers of real estate properties.

Boost to the housing and construction sector will facilitate generation of more and more employment opportunities in the economy and a strong rebound in the demand scenario. Reduction in EMIs would help increase in disposable income of the people and increased level of savings in the economy. In the forthcoming Union Budget 2016-17, a deduction of up to Rs 5 lakh from the current level of Rs. 2 lakhs for interest paid on a home loan on a self-occupied house while calculating the taxable income for a given year will give a boost to the demand in housing sector.

National Capital Region (NCR) is a distinct example of interstate regional planning for development of a region with NCT-Delhi as its core. It encompasses¹⁴ an area of about 34,144 sq kms falling in the territorial jurisdiction of States of Haryana, Uttar Pradesh, Rajasthan and NCT of Delhi. The region accounts for about 1.6% of the country's land area. The districts falling in the region Haryana are Faridabad, Gurgaon, Mewat, Rohtak, Sonapat, Rewari, Jhajjar, Panipat and Palwal, while in Uttar Pradesh are Meerut, Ghaziabad, Gautam Buddha Nagar, Bulandshahr, Hapur and Baghpat and Alwar district falls in Rajasthan.

The present study was undertaken to understand the perception of real estate buyers and thus to find the determinants influencing their buying behaviour. Accordingly, a survey was undertaken to analyse their perception and also the growth prospects of the real estate sector in Delhi NCR.

¹⁴ Annual Report 2014-15, National Capital Region Planning Board, Ministry of Urban Development, Government of India

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According to the survey, nearly 41% of the respondents preferred to make investments in real estate after 15 years, followed by 31% respondents preferred to make investments once in 10-15 years, 20% in 5-10 years and remaining 8% respondents once in 5 years.

The survey has revealed that nearly 80% of the respondents have come to know about the real estate investment avenues through personal contacts such as family members, relatives, friends, colleagues, etc. While 72% of respondents came to know through real estate brokers, agents or dealers, 68% respondents through newspapers/ magazines /hoardings and 36% respondents through SMS alerts. It has also been observed that gradually other means of marketing are also increasing for generating awareness and publicity regarding real estate projects such as online social networking, internet, television, etc.

The survey has revealed that about 47% of the respondents buy properties in the Delhi NCR for residential purpose, followed by 36% for earning decent returns on their investments on property in the near future. While 21% of the respondents make investments for buying commercial space such as offices requirements, 16% for the purpose of rent or lease, 14% for retailing, 11% for gifting and 6% respondents for warehousing.

It is very significant to bridge the demand-supply gap for housing in our economy by creating homes in the right segment. The launch of luxury housing and senior living is also catching up pace indicating the new emerging needs in the sector. However, respondents stated that real estate developers should give first preference to the affordability of buyers and create supply in that segment, accordingly.

According to the survey, around 73% of respondents have availed of loan for buying real estate properties while remaining 27% respondents didn't avail of any such loan for purchasing real estate properties. The survey has revealed that respondents who have availed of loan have stated that almost 65% of the total cost of the real estate project is financed through availing loan facilities.

Housing continues to be an area of concern for middle and lower middle income class due to high cost of financing. Thus, high interest rates impacts the monthly payments of individuals and affect the demand for housing. Therefore, availability of loans at low rate of interest coupled with reforms undertaken by the Government to rejuvenate demand for housing would provide much needed fillip to revitalize the real estate sector in the coming times

The survey has revealed that about 90% respondents consider price to be most important factor while considering investment in real estate. Factors including construction quality, gated community and brand name of the builder were important to around 70% of the respondents. About 60% respondents preferred investments in corner plots, while availability of loan and power and utility back-up were considered important to 57% and 51% respondents respectively. On the other hand determinants including proximity to metro and vastu compliance hold significance to around 43% and 22% respondents respectively. Other factors include locality, legal payments, future prospects of the place and rent receivables etc. Which were considered important by 18% respondents.

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According to the survey, Gurgaon has been preferred as the most attractive and emerging real estate investment destination, followed by Delhi, Noida, Faridabad and Alwar. Almost all the respondents have unanimously opined that the investment sentiments for real estate properties are expected to escalate in these regions in the near future. Further, respondents added that good transport connectivity, existence of employment opportunities and availability of social infrastructure including schools, colleges, hospitals, etc have made these destinations attractive for real estate investments. According to the survey, investors in these areas are looking for attractive discounts or schemes by developers in the coming times.

The development of real estate sector has a multiplier impact on the overall economy. The growth of real estate percolates to the development of sectors like cement, steel, paints, banking and financial services and fuelling growth of rural consumption as employment increases in the construction sector for workers who migrate from villages to cities. Therefore, conducive policy framework, ease of doing business and low costs of borrowings must be facilitated to developers for the growth of real estate sector of the economy.

The sentiments in the economy are improving on account of various reforms undertaken by the Government in the recent times. Inflation has been decisively brought down and the CPI inflation is also in the comfortable trajectory. The twin deficits, fiscal and current account, have been improved. Our economy based on a foundation of strong macro-economic stability, sizable foreign exchange reserves, and on creating the conditions for investment opportunities would boost confidence, investments and employment in the coming times.

The respondents have enumerated a number of issues and concerns faced by them while making real estate investments. Almost all the respondents have unanimously stated that excessive time and manpower are required to look for an appropriate real estate investment. Arrival of e-marketing has benefitted significantly the real estate sector. Further, most of the respondents have reported that access to finance by way of loan has been a major concern. To take care of the

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risk of defaults, banks have imposed a number of conditions for lending property loans. High rates of inflation in the economy also majorly impact the saving patterns of households in a big way.

The survey reveals that investors have apprehensions about submission of registration fee prior to non-completion of the real estate projects. They have also stated that in case of non-completion of projects leads to emotional harassment in the form of legal cases and financial loss. The new real estate bill 2015 is expected to protect the interest of consumers, promote fair play in real estate transactions and ensure timely execution of projects.

Several structural issues such as high gestation period of housing projects, limited and expensive capital, growing land and construction costs, high fees and taxes, unfavorable development norms and low affordability by Economically Weaker Section (EWS) and Lower Income Group (LIG) households are bottlenecks restricting desired growth in housing stock in India in relation to demand. To ensure housing for all, massive efforts are required to locate the non-essential lands currently being held by large government bodies such as Indian Railways, Ministry of Public Enterprises, Port Trusts and Department of Heavy Industries. Unlocking such lands while speeding up the approval process and creating incentives for private sector participation are all needed as constituent of a large, coordinated effort to realize the vision of Housing for All by 2022.

Rigorous efforts are needed in the direction to form a nodal agency to facilitate fast track development of affordable housing projects, streamlining the approval process by introducing a single-window clearance mechanism, empowering EWS/LIG households with subsidies, lower loan interest rates, micro-financing, promoting rental housing and public private partnerships have also been highlighted. Further, rationalizing various indirect taxes levied on housing and channelizing higher investments in housing development projects, improving affordability through increasing budgetary support to the affordable housing and promoting mass housing construction technologies would help in achieving affordable housing for all, thus uplifting the standards of living and providing a good quality of life to the population of the country in coming times.

There is a need to provide incentives to the public and private sectors to promote research and developmental activities for new building materials and technologies to deliver low cost, affordable, sustainable and environment friendly housing and building structures. Going ahead, the sector should be accorded industry status which would facilitate the genuine real estate players and investors to come forward. Further, the sector should work towards increasing more transparency, improved delivery and project execution for meeting timely needs of the buyers. In addition, fiscal incentives must be promoted to developers to build low cost and affordable housing for the masses.

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The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers.

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10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
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13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
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25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
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First, Get the Title Right!

In a real estate project due diligence is the key that can lock or unlock the potential returns for the developer. Real estate projects often span vast acres of land that are aggregated from multiple owners. Many of these owners have either bought the land or received them as inheritance. Identifying the chain of title over the land so aggregated becomes paramount. Any breakages or inconsistencies in the chain may lead to insufficient title being passed on to the aggregators, thereby creating complications for the developer, and the eventual buyers. Cases have shown that even where insufficient due diligence have affected only a small acreage of the total land, the entire project has been put to risk because each piece and parcel of land is an integral part of the project, and any deficiency in any of them will hit the whole project hard.

A proper and a thorough legal due diligence of a project land will help identify these deficiencies. Additionally, due diligence will also examine the licenses obtained for the development, and point out deficiencies or inaccuracies therein. The Collaboration Agreement between the land owner and the developer will then be able to provide for safeguards to counteract the adverse affects of deficiencies found during the due diligence.

Several projects are being developed on agricultural lands. Many of these land parcels have been held in families through generations. Several of them have been subject to partitions and settlements, and have been divided and re-divided amongst family members. Some family members may even have sold their share in undivided land to third parties, whereby the new owner receives a title to the share, but not exclusive possession on any portion of such land – a common issue that has been observed. Assuring the absolute title to the land parcels therefore become imperative for all stake-holders.

Even for private purchasers of commercial or residential real estate, conducting a proper due diligence on the property will help secure their investment by identifying inherent adverse issues, if any. Usually records of up to 30 years are extracted from the authorities to identify how the property came into the hands of the current owners. The related records will help identify the title chain, any encumbrances created on the property, any restrictions on use, etc. and will aid in creating a strategy for implementing appropriate measures.

With development projects now spreading away from major cities and into smaller towns and villages, examining the land records becomes even more important, and equally challenging. Moving into the hinterlands brings with it the challenges of inadequate records, varying traditions of record-keeping, and accessibility. But development projects have shown that the real estate market in Tier-II and Tier-III cities have the propensity to fuel growth in the real estate sector.

A proper due diligence is necessary to ensure that any lacunae in the title to lands, properties, licenses, are timely identified and adequate steps are taken to counteract them. Due diligence is best conducted before beginning a real estate project, as the early identification of issues will give enough time to set out corrective measures. Even implementation procedures may be tweaked taking into view the due diligence report. The time and cost spent towards conducting a thorough legal due diligence saves headaches and calamitous losses at a later stage - including costs towards acrimonious litigation and negative publicity. So, before you begin with any real estate project, first get the title right.

Note: This article is published by T&T Law as part of its Outreach Program. This article is a general commentary on the subject and should not be treated as an in-depth analysis or opinion. T&T Law strongly recommends that thorough legal guidance be obtained from a lawyer before embarking on any project. For any clarifications contact us at tandtlaw@tandtlaw.co.in, or call us at +91-11-40860000.



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A Well designed circular fully Air conditioned hall with flexible seating arrangement from round table sitting to theatre Style sitting to ideal for holding exhibitions, display of products, workshops and audio visual presentations.

- **Raunaq Room (Capacity: 70)**

A well designed Conference Room for seminars, panel discussions and high profile corporate meetings with delegate mikes on each seat for excellent communication.

- **Shriram Hall (Capacity: 90)**

A well designed hall with multiple seating options from Board room Style/ Banquet Style/ Hollow square style/ U shape style/classroom style/ Auditorium style with dais of 7 persons for conducting training programmes, workshops or audio-visual presentations.

- **Mohta Room (Capacity: 25)**

The ambiance of this room is ideal way to propel the primary business agenda forward and is perfect for elite decision makers and bold entrepreneurs, who want a corporate yet creative setting for their meetings. This room is perfect for a closed-room meeting consisting of 15 to 25 people

PHD Chamber also provide high standard catering from the approved caterers at Rate/Menu approved by the chamber.

For further Details Contact :- **Mr. Ajay Bansal, E-mail: ajay.bansal@phdcci.in**