

Buying the India Story

Even until the turn of the millennium, NRI investment in Indian real estate was a trickle. Some promoters would appoint a part-time local representative in cities with large Indian populations. The more enterprising ones would occasionally participate in an exhibition where there would more questions than answers. For the 20 million Indians spread across the world, India, as a real estate investment destination, was far away. You bought property there if you had to. And prayed that your money and property would be safe.

In the last half a dozen years there has been a sea change in perception. What was a trickle is now a steady stream. No major housing project can afford to ignore the NRI market and many earmark exclusive NRI blocks in their building plans. Indians abroad want to buy into their home country not only for parents and annual holidays but purely for investment. They have recognised that while, in much of the world, real estate may be slowing, in India it is growing by leaps and bounds. “You don’t have to sell India any more,” says Alope Banerjee, Chief Operating Officer of Axiom Estates, the largest international provider of India property services. “You have to go with deals.” “A huge amount of interest has developed,” adds Rajesh Goenka, Managing Director, who spearheaded the company’s original thrust among the UK Indians. “Five years ago the first news was trickling in that Indian real estate is worth investing. Today the brand image of India -- and of real estate developers in India -- has changed.”

The nature of buyers and the motivation to buy also varies from country to country. In the UK, which Goenka describes as the toughest market, most buyers are second or third generation Indians, who look upon India as just another investment destination and favour international attractions like Goa. The USA has a higher proportion of first generation expatriates, who are open to the idea of returning to India or have parents living here. The traditional metros, Bangalore and Hyderabad are their preferred destinations. Indians in the Gulf usually plan to return and therefore seek property in their hometown, often in the smaller cities. Predominantly, however, NRIs look for a return on investment with more affluent individuals seeking to invest in commercial space where rental incomes are usually over 10% and offset the interest cost.

There have been many factors fuelling NRI demand. The India story now merits regular articles in mainline newspapers such as The Times, Wall Street Journal or New York Times, encouraging everyone to seek a piece of the action. The easing of repatriation rules has made it simpler to encash returns on investment. Developers have become more professional. Banks are more willing to lend. In recent months the strengthening rupee and weakening US real estate market have made India even more attractive. The most important reason perhaps is that the Indian real estate boom is seen as being led by genuine end-user demand and hence sustainable in the long run, making the investment safe.

The marketing of real estate is also getting more organised, facilitating the buying process. While earlier, developers would seek to do their own marketing, today they rely

mainly on companies like Axiom Estates, which is headquartered in London and has offices in New York, Fremont and Dubai as well as associates in a number of other cities. NRIs too depend on the professional advice and transaction management to ensure a good investment. “My experience is that Indians abroad are extremely tech-savvy,” says Alope Banerjee. “They research a lot on the net. But then comes analysis paralysis, so they need someone to guide them. This is where Axiom Estates comes in. Although we generate a lot of enquiries through our website, we are not a virtual office or portal but have brick and mortar presence in their country. We have people to hold their hand and take them through the whole value chain. This includes purchase, property management, letting, furnishing, mortgage and, in some cases, resale of the property.”

Apart from services, Axiom offers the NRI buyer a plethora of property options. The company has tied up with close to 100 Category 1 developers and can offer buyers pan Indian property as well as choice within individual cities. At any point of time, a buyer will have over 300 projects to select from. Moreover, large investors also get the opportunity of pre-booking deals i.e. property offers at a price that is normally only available to the local community. High net worth individuals also have opportunities for block booking or project development through Axiom for higher returns on investment. Many realty investors also seek the company’s portfolio management services, where the investment is spread across several properties and cities, ensuring an optimum mix of safety and return.

To market the properties Axiom uses various techniques including extensive data base management to fit need and availability. The company organises property shows in USA, Canada, UK and now in the Gulf, in association with developers. These are publicized through local TV campaigns and articles in newspapers for several weeks. Hard copy property catalogues are mailed to prospective buyers well in advance. At the shows there are question-and-answer sessions with developers, seminars with experts, and sharing of quotes and articles. Associations with Citibank in the USA and SBI and HSBC in the UK further add credibility and confidence. As a result, Axiom’s shows attract far higher footfalls as compared to road shows by individual developers, with several thousand visitors being the norm.

Currently the NRI market accounts for about 20% of the Indian realty sector, which Banerjee describes as the tip of the iceberg. Inhibiting factors are mainly legal, particularly when it comes to land, as titles are not always clear and there is no title insurance. When buying built-up property, the documentation is usually one-sided, loading the legal dice in favour of the promoters. Delays in construction and quality of service remain issues of concern with many developers. If India were to catch up with developed countries on matters of title, transparency, service and contract integrity, the floodgates would open up. There is a lot of money waiting at the wings.