

**ART Affordable Housing Finance – Coverage**

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The Indian rupee has been touching new lows vis-à-vis the US dollar, recently hitting a lifetime low of Rs 72.98 against the dollar. For Non-resident Indian (NRI) investors looking at buying property in India, the depreciating rupee is a positive, as it means more value for money. However, they must keep in mind several factors - legal, geographical, financial, etc.

**How a falling rupee helps**

The Indian currency started the financial year (April 1, 2018) at Rs 65 to the Greenback and now stands around 72 to the US Dollar, a slide of almost 11% in just six months.

While NRIs have always been key investors in the Indian real estate market, the falling rupee translates into a monetary advantage for them, as they can get more rupees for the dollar. The economics, thus, works in favour of the NRI, who is investing his funds into India.

"For the NRI investor, the ticket size in several Indian markets is still more viable than in global economies," explained Arvind Nandan, Executive Director, Knight Frank India, about the attractiveness of Indian realty. For example, the median-price for a two or three Bedroom Hall Kitchen (BHK) apartment in a second-tier metro is about Rs 60-lakh (about US\$85,000). Even a stronger rupee will mean below US\$ 100,000 ticket size. This makes it an attractive proposition.

The rate of return is another attraction. While returns on investment in realty is highly subjective, there are good returns to be had. "Certain locations and projects may appreciate by between 5 and 10% or even more, on the back of lack of supply and huge demand," said Anuj Puri, Chairman - Anarock Property.

According to Nandan, on a general basis, real estate investment can fetch about 7-8% annual appreciation over a 10-year horizon. Apart from this, residential yields in most Indian markets have



A weak rupee does offer a good opportunity for non-resident Indians looking to invest in India. But don't be hasty and appoint a lawyer to check title deed of property

# NRIs must buy property in rupee

been in the range of 2-2.5% per annum. "Thus the overall gross returns can be in the vicinity of 10% annually," Nandan explained. However, investors must remain conscious of the fact that real estate investment is best done with a seven-to-eight year horizon. While there have been cases of extremely strong capital appreciations in very short time, that is not the usual course.

Even commercial property can offer good returns. "For a well located commercial property in Gurgaon and Bangalore, the expected annual returns could be in the range of 10%-12%," said Arvind Hali, MD and CEO, ART Affordable Housing Finance.

"Also, with Indian markets still on a growth path, the future appreciation in property value is perceived to be much better in the longer term," said Nandan.

In fact, according to Puri, given the current trend of rupee depreciation, it is un-

likely that it will strengthen enough to kill NRI investor appetite.

**Conditions to keep in mind**

NRIs with a valid Indian passport can invest in the Indian realty market, though there are few pre-conditions. NRIs with a valid Indian passport need no prior approval, unless they are residents of few neighbouring countries - specifically Pakistan, Bangladesh, Sri Lanka, Iran, Nepal, Bhutan, Afghanistan and China.

An NRI can buy as many properties - residential or commercial - as they want, but are not allowed to buy agricultural land, plantation properties and farmhouses.

"However, such properties can be gifted to or inherited by NRIs," said Puri.

Transactions must be done in Indian rupee, through regular banking channels, via an existing NRI account.

In case of an inherited

**BROAD GUIDELINES**

- Hire a lawyer to vet property documents
- Ensure that the property is not built on agricultural land without requisite government permissions
- In case of under-construction property, give a power of attorney to the developer or a trusted associate

their overseas stay, their employment and income status, age proofs, etc. The process can be done online for most part. Different countries' residents will have to meet varying eligibility criteria. "Home loan is usually easily available, except for citizens of some select countries," said Nandan.

**Do the due diligence**

Investment into real estate needs a lot of checking and caution. "A major hurdle for an NRI is the relatively less transparent market (as compared to developed economies)," said Nandan.

While several online portals and advisory firms do provide transaction data and supply information, these can often show only a part of the picture. Ground level checking on latest market conditions, transactions, listings, etc, is needed.

"Title insurance is another challenge that NRIs could face, if they have spent time in countries where it is a

norm," Nandan added. With most states now having implemented RERA, worries regarding false promises, project features, completion dates, etc, are getting addressed to some extent.

NRIs can take some precautions to secure their investment in Indian real estate. One can hire a lawyer to vet property documents,

verify the original title deed documents; ensure that the property title is in the name of the seller, do a thorough check to ensure that the seller has cleared all dues related to the property, verify that the seller has not diluted the right to transfer the property to a buyer, ensure that the property is not built on agricultural land without requisite government permissions.

"An NRI may get into legal problems in such transactions (agricultural land)," said Puri. In the case of under-construction property, it is advisable to give a power of attorney to the developer or a trusted associate.