NAR- India 4th Annual Convention

23-24 June, 2012,
Renaissance Mumbai Convention Centre Hotel

Inaugural Session

The largest ever NAR convention, as envisaged, was graced by the presence of over thousand participants, including the realtors, developers, educationalists, delegates, brokers, realty consultants. The NAR – India 4th annual convention commenced with Ganpati Vandana and was followed by a scintillating performance by Drum Café.

Mr. Rajendra Karia, Chairman 4th Convention, inaugurated the session by welcoming the audience and thanking all the members of NAR, for their strenuous efforts in making the event possible. Further, Mr. Sreedhar Reddy, President NAR-India talked about the major achievements of NAR in the past year which included the launch of beta version of Multi-Listing Service (MLS); growth in the number of city associations by 20%; increase in membership strength by 30% and release of the NAR newsletter.

This session overall emphasized NAR-India’s focus on developing the realty business as an organized sector, so that the needs of the customer can be mapped and met by the developers and brokers in an ethical manner with a transparent and methodological approach. Real estate consultancy forms one of the largest service business in India and a win-win situation for all the stakeholders in realty business is the need of the day, a need which can only be achieved with the development of trust amongst all the parties involved.

Session 1&2: Role of Realtors/Role of Developers

The session was moderated by Mr. Anuj Puri (JLL) and the panel consisted of Mr. Pranay Vakil, Mr. Boman Irani, Mr. Ashok Mahanani, Mr. Ashish Mathur, and Mr. Irfan Razack. The session was oriented in a question and answer format where Mr. Anuj Puri touched upon the various facets of the current trends in real estate and the significance of the role of realtors and developers in such an environment.

Most of the developers were of the view that the economy was not as bad as in 2008. They saw the economic weakness as more of a passing phase, and a state of mind rather than an actual meltdown. Furthermore, Mr. Irani reinforced this view by reminding people that real estate is among one of the three basic needs of the society i.e. Roti, Kapada, & Makan. Its basic nature in itself makes it a good long term investment. He suggested that rather than speculating on the market in the short term we should be thinking long term and let the market select its own path.

Mr. Vakil advised the brokers to be more careful when dealing with customers. The customers of today are well informed and information technology has worked in customers’ favor. Several websites provide latest information regarding different schemes, market rate, market trends, taxation information, and
other benefits. Sales figures are another indicator that has clearly shown that those who favored new technology in their campaign have received great returns. At the same time Mr. Razack expressed his concerns regarding this approach. His experience in Bangalore has been quite the opposite, where developers use brokers to create the market hype and awareness. This practice has given them better return on investment on marketing expenditure than online media or other typical forms of media.

Mr. Vakil also suggested that the developers should be more careful in financing their projects. They need to work on their cash flow specific to the projects. Money utilization across the project to maintain the cash flow should be avoided. Any delay caused by such practices is quite unfair to the customers.

In summary,

1. Real estate still provides one the good investing opportunities.
2. Developers, brokers and customers share a common bond. Developers and brokers should think in term of “we” instead of “I” for the mutual benefit of all the stakeholders. NAR has a very important role to play in setting the foundation of the industry
3. Brokers should focus on adding value in the process of real estate investment
4. Transparency is the key in real estate investment and we need to focus on increasing the same in the transactions.

Session 4: Global and Local Perspective

Mr. Pratap Padode was in charge of the panel discussion. The panel consisted of several NAR members from India and Europe.

These experts expressed their views regarding the situation in European Countries. They informed the audience that for some the countries in Europe, real estate contributes more than 20% to the GDP and is one of the most important sectors. Although investment in the sector continues, one can clearly observe changing trends in investment before and after the 2008 recession. Prior to 2008, major real estate investment was for pleasure purpose; however after the crisis, people are investing in real estate as it offers more secure and safe long term investment. The financial crisis has led to a trust deficit in the financial markets and people have started looking for other avenues to generate returns.

The real estate prices in Paris have almost doubled. Paris has invested in “Great Paris Project” which was designed to initially accommodate 2 million people. At build-out, the project could serve 11 million people. It has 52 stations and equipped with speedy trains for public transportation. Projects like these are coming up in Paris (in and around the city) and now such projects need to be marketed well so as to bring in more investment in the country. Although there is no space left in the city for new construction, Paris is developing new construction zones around the city to boost the real estate development. It is interesting to note that approximately 8% of the investors in Paris come from Indian origin.
**Session 5: Conversation Marketing**

The session on conversation marketing revolved around the importance of customer relationship in the new real estate era. Mr. Gomes shared his view and stated that the real estate market has turned out to be very competitive and now the demands of the customer drive the market rather than the availability of the real estate. In such an atmosphere to be successful it has become imperative to focus on a 95% rule - “95% of your conversation should be about needs, expectations, doubts, question, transparency and integrity quotients and 5% should be about your projects, features and brand value etc”. He further stated that customers are money rich but lack time and therefore to gain new customers it is important to map their needs to your offerings and collaborate to provide relevant solutions. In his ending remarks, he also introduced the importance of social media in the changing business environment and also cautioned about the related pitfalls.

**SESSION 6: Understanding the implication of plethora of direct and indirect taxes i.e. TDS, VAT, Service Tax, Capital Gains, Municipal taxes on the real estate sector-a cash cow for the government- Vinay Singh**

Tax implications play a pivotal role in evaluating the attractiveness/returns from a given industry. The session was conducted by Mr. Vinay Singh, founder of Vinay Singh & Associates of Mumbai. It gave a brief insight about the Prevalent Government Policies concerned with various types of taxes in on Real Estate Sector. It focused on the Long term and Short term implications of these policies on the industry highlighting the effects of the various taxes and policies on the various stake holders.

The Presentation categorized the taxes experienced in the sector in 3 levels namely -

- Central Govt.
- State Govt. and
- Local Authority

Mr. Singh highlighted the various types of taxes falling under Central Govt. purview which are - Service Tax and Capital Gain Tax and discussed their applicability and exemptions. Amount of Service tax varies in terms of percentage depending on the type of service provided. It is 12.36% for the brokerage service and the figure is as low as 3.09% for construction services. Service Tax can be put on Construction Services, In lieu of development rights, Redevelopment projects. In case of Construction, tax is now leviable on construction of Complex, building or civil structure intended for sale. Mr. Singh also made it clear that no service tax will be applicable if the sale consideration is done after Completion Certificate.

Capital Gains Tax is charged at applicable rates on Short term gains (Asset held < 3 Years) after including with other income. The session also emphasized on clear, unambiguous and uniform laws regarding Stamp Duty and Registration at the state level. It becomes all the more important considering the fact that Stamp Duty and Registration tax was the highest Revenue earner for Maharashtra in FY 2011-12. The session concluded emphasizing on the need of maintaining transparent and proper record keeping and unambiguous and explicit tax laws for the benefit of all.
Day 2:

**Opening Session: The Exclusive Mandate for Real Estate Selling – Sam Chopra**

Day 2 began with an opening session on “Exclusive mandate for real estate selling” by Mr. Sam Chopra, President, Associate of Property Professionals (APP) and Founder Chairman, Re-max India.

Mr. Chopra explained the concept of exclusive mandate and how realtors can strive to secure one by putting minimum effort and generating maximum impact. He elaborated how exclusive mandates are beneficial in comparison to non exclusive mandates for all parties concerned; sellers, buyers and agents. An agent can take certain measures in order to secure an exclusive mandate to sell a property. He should be professional from the very start and be proactive in making the first call to schedule an appointment. He should be thorough in his preparation and provide the client with all relevant information. He should work with the client to put together the best marketing plan for the property.

Mr. Chopra then explained the 4 P’s of exclusive mandate marketing plan. He talked about importance of putting a sign on the property and advertisement in newspaper and MLS. Agreement on the commission terms is very important step and a good agent should not compromise on either quality service or fair commission.

In the end, Mr. Chopra highlighted the importance of closing the exclusive mandate. An agent should go for this step with conviction and be very honest with client stating very clearly the advantages he is going to get by signing on the dotted lines.

Overall, it was an informative session wherein Mr. Sam Chopra not only explained in very simple terms the importance of exclusive mandates, but also provided a road map to go about it.

**Session 8: Future Vision of NAR India (Panel Discussion)**

*Empowering Realtors – Prof. V. Chandrashekhar, Norman Flynn, Naresh Malkani, Sreedhar Reddy, Kalpesh Shah*

This is a topic of importance and clearly outlined different aspects of empowerment. Dr. Chandrasekar pointed out the empowerment that comes from education and the need for NAR India to offer different programs that are knowledge based to realtors. Others pointed out the need for developers to work in close coordination with realtors at different stages of the product.

**Session 9: Empowering Realtors**

*Empowering generation next realtors for building an organization – Creating a culture of leadership, ethics and values – Bharat Pandya*

Focusing on building a culture of responsible leadership, Dr. Bharat Pandya presented a notable session on ethics and values in the real-estate industry. He talked about the primary building blocks of success of a firm. They are passion, enthusiasm, preparation, hard work, teamwork and perseverance. Passion is something which drives you to set a goal for yourself; enthusiasm is what makes you pursue the goal
relentlessly. Preparation is required so that the hard work you put is channelized in the right direction and teamwork ensures that everyone understands their respective role in a larger goal and together everyone works to achieve the goal. The individual as well as the team has to have perseverance to continue striving in the right direction.

Talking about ethical behavior, he further added that while we are working of these building blocks, we should also ensure that we are doing our actions ethically. This is all the more important in real estate industry as there are frequent questions being raised in this regard. The ethics begin with an individual and he should not do anything which his inner conscious does not allow. The actions should not be guided by whether or not anyone else will be able to find out the truth, but by his/her own conscience. Generally, a person does unethical action because of one or many of the following three reasons; perceived opportunity, perceived pressure and rationalization. The fact, however is that the only rationalization you owe is to you inner self.

Overall, it was an inspiring talk which focused on the discussion about values and ethics and in particular about ethical leadership and development in real-estate. The audience were much appreciative of his talk and gave him a standing ovation.

Session 10: Mumbai – The Mega City: Redefining Mumbai Real Estate Landscape – across MMR Region - Dharmesh Jain

The presentation by Mr. Dharmesh Jain, Chairman and MD of Nirmal Lifestyle, focused on the way ahead for the Mumbai real estate market. He started off by talking about the current status of the sector in Mumbai and the urgent need to decongest it due to inadequate infrastructure. With facts about the current built-up area in Mumbai and projected population growth, the need for massive investments into this sector was very apparent.

The session was broken down into the following topics:

**Regulatory Issues:** Mr. Dharmesh spoke about the various regulations related to FSI, development schemes, affordable housing projects and also what more is needed on the regulatory front to combat the various issues plaguing the industry today

**Mumbai Make-over, Infrastructure Development and decongestion:** The session then moved on to mention the various steps that could be taken towards decongesting Mumbai. Some of the suggestions put forward were movement of more development towards the Navi Mumbai area including shifting of high court and Mantralaya. Emphasis was placed on developing periphery areas such as Panvel, Kalyan etc by improving connectivity. The FAR/FSI was also suggested to be increased to 4.

Mr. Dharmesh ended the presentation to tumultuous applause by emphasizing on the need for a healthy lifestyle and the importance of staying fit.
Redefining Mumbai Real estate landscape - K. Hemani

The presentation by Mr. K.Hemani, Chairman of K Hemani Group, focused on the Slum Rehabilitation scheme in Mumbai to redevelop the existing slums in Mumbai and present much better opportunities to people to live in. Mr. Hemani started off by presenting facts about the number of slums and the number of people who stay in them in Mumbai. This was followed by the population density statistics which showed some startling facts about the space available per 1000 people in Mumbai vis-à-vis the other global cities like London, New York and Singapore. This pointed towards a dire need to decongest the city and work out opportunities to redevelop slums such that these areas could accommodate more people and on a better standard of life.

Mr. Hemani also pointed out the myriad problems associated with the life in slums w.r.t lack of opportunities, poor standard of living and lack of basic amenities. There is a huge revenue loss to the government due to non-compliance with tax policies by people living in these slums.

The session mentioned the remedies to the above problems by stating the role that government and the developers had to play in this. These included speedy approval, financial support etc on the government’s side with a promise to develop a much better lifestyle from the developer’s side.

Destination Thane - Ajay Ashar

The presentation by Mr. Ajay Ashar (Managing Director, Ashar Group; Secretary MCHI – Thane) focused on the attractiveness of Thane as a destination for real estate development as well as investment. The session began by describing the strengths of Thane w.r.t to culture, geography, natural beauty, resources, and provision of utilities. The presentation then spoke about the slum-free land of Thane as well as the excellent connectivity to Thane, both by road and rail. The infrastructure projects and forward looking developments make Thane a much sought after place to reside in. This is also creating huge employment opportunities in Thane and with industrial places like the Wagle Estate coming up, lot of industries are also expected to shift towards Thane.

The session ended with the vision for Thane as a city till 2030 and the empowered people living and enjoying a good life in Thane.

Session 11: Financing the Challenge - New Directions in Housing Finance – Sameer Kaul

This session dealt with the emerging trends in housing finance. Mr. Kaul started the presentation by pointing out the real estate investments over the long term had outperformed traditional asset classes such as stocks and gold. Since the year 2007, real estate has provided an additional return of 20% compared to gold in spite of the fact that the aforementioned period was one of the best periods for gold investors.

The increase in housing prices is however a double edged sword. The rapidly increasing real estate prices together with rising interest rates, faulty promises by developers including undue delays have made owning real estate challenge for the common man. Additionally, lack of regulatory authority has added to the problems faced by aspirational homeowners.
The mortgage industry in India is experiencing high growth rates owing to a variety of favorable factors. The incomes are rising at a brisk pace leading to higher affordability and rising disposable income. In addition, over 60% of the population is below the age of 30. Further, there are several incentives for homeownership as well as affordable interest rates. Additionally, there is substantial scope for additional growth as only 31% of the population is urban. With urbanization and evolution of nuclear families, the demand for housing is expected to substantially increase. In fact, last year credit growth in the Indian mortgage market had increased to 18% compared to the 11% in the previous year.

Mortgages are responsible for only 10% of the GDP compared to in excess of 80% in the USA and UK. This growth was boosted by a stable operating environment, buoyant property prices and continuation of attractive interest rates. Based on these factors, it is estimated that the total urban housing shortfall is in excess of 26 million units.

However, the housing finance companies face several challenges. These include the inability of the developers to maintain transparent financials, poor planning and scheduling by developers leading to grievances, a bias on part of the housing finance company in favor of salaried over self-employed individuals, lack of a data heavy credit bureau similar to those available in USA, manual records in registrar offices, and erosion of affordability due to high levels of prolonged inflation.

On the bright side, the growth in mortgages has followed a secular trend with growth coming from both tier 1 and tier 2 cities. Prior to 2006, more than half of the mortgage portfolios were comprised of properties in tier 1 cities. However, with increasing employment opportunities in tier 2 cities leading to affordability, mortgages in tier 2 cities increased at an annual rate of 18% compared to the 13% growth rate in tier 1 cities.

Going forward, to help sustain and expand the growth rates and penetration of mortgages in India several actions have to be taken. The National Housing Bank (NHB) is expected to take one such action by announcing the formation of the first mortgage guarantee company in the next fiscal year. This mortgage guarantee company will help shift some of the risk from the housing finance companies to this newly formed body thereby allowing the housing finance companies to reduce their interest rates and also to include more individuals in the market by means of providing loans to self-employed individuals in addition to the salaried class. Care should be taken to ensure that India does not go the USA way by indulging in excessive securitization and lending to sub-prime borrowers.

Additionally, NHB will also maintain records of every loan given by any bank in India thereby reducing the likelihood of fraud. Steps should also be taken to improve the quality of credit bureaus which will help increase the speed of decision making and lead to an increase in the eligible base for banks.

FDI in Real Estate Sector – Ashwin Ramesh, Dhaval Mehta, Ashish Ahuja

FDI is allowed in India primarily through two routes namely automatic route, and approval route. In the automatic route, no special permission is required from the government of India. In order to meet the
governmental regulations, the investor has to only inform the regional RBI office. Conversely, under the approval route, the Foreign Investment Promotion Board (FIPB) evaluates the investment proposal and provides recommendation to the Ministry of Finance or the Cabinet Committee on Economic Affairs (CCEA) depending on the specific case.

In the real estate sector, 100% FDI is allowed by the Government of India under the automatic route in townships, housing, built-up infrastructure and construction-development projects subject to the following guidelines:

“a) Minimum Area Development Criteria

i. In case of development of serviced housing plots, a minimum land area of 10 hectares

ii. In case of construction-development projects, a minimum built-up area of 50,000 square metres

iii. In case of a combination project, anyone of the above two conditions would suffice

b) Minimum Investment Criteria

i. Minimum capitalization of US$10 million for wholly owned subsidiaries and US$5 million for joint ventures with Indian partners. The funds would have to be brought in within six months of commencement of business of the Company.

ii. Entire amount brought in as FDI will be subjected to a lock-in-period of three years from the date of receipt of each tranche or from the date of completion of minimum capitalization, whichever is later. However, the investor may be permitted to exit earlier with prior approval of the Government through the FIPB.

c) At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor would not be permitted to sell undeveloped plots.”

FDI in India is growing at a rapid pace from $5.5 billion in 2005-06 to $36.5 billion on 2011-12. FDI in real estate comprised just 0.7% of the total investment in 2005-06 and has increased substantially in recent years. Over the last 7 years, FDI in real estate was $10.4 billion accounting for 6.7% of the total FDI in India.

Indian firms have also been raising overseas capital by listing on Alternative Investment Market (AIM) in London. Firms such as Eredene Capital, HIRCO, Trinity Capital and Ishaan have raised in excess of $2 billion internationally. Another option for generating capital is by going public via an IPO. In the last 7 years, 16 companies have raised approximately $3.5 billion by listing on Indian bourses accounting for 13.5% of the total capital raised. Unfortunately, because of the prevailing market conditions and recession of the last few years, all of the listed companies have generated negative returns for their shareholders.

The softness in the market has led to a fall in investment volumes from $4.93 billion in 2010 to $4.56 billion in 2011, a drop of 8%. Globally, investment volumes were up 14%. It should however be noted
that the yields for investors in office, retail and industrial space were high (approximately 11% to 13.5%) compared to the global average yield of 7.35%.

Several private equity players have invested in the Indian markets by tying up with Indian developers such as K. Raheja Group, Godrej Properties, and Lodha Properties. There are several benefits to FDI as a form of raising capital. FDI is characterized by long term patient money without the pressure of providing quarterly reports to SEBI. The money raised can be used for land acquisition and ensures transparency in the process. Additionally, buyers are more confident knowing that a leading foreign company has invested in the venture.

Several challenges remain to FDI in real estate in India. There are valuation issues pertaining to Foreign Exchange Management Act. Additionally, regulatory issues are galore with issues such as conversion of agricultural land to residential/commercial, capitalization within 6 months, lock-in period for foreign investors, and debt structure issues. Further, positive cash flow is generally not generated before 3 years and the payout requirements of the investing fund might not match up with the project. Also, some markets do not support full check acquisitions with payments and receipts as desired by the foreign investors.

Session 12: Motivational Speaker – Jaiprakash Kabra

Mr. Kabra’s motivational talk was a mixture of self deprecating humor and thought provoking ideas. He shared his personal experiences and anecdotes in terms of remaining motivated at work, and focusing on leadership and ethics.

Session 13: Technology For Realtors - Empowering Realtors thru’ Technology – Robert Spicer

Mr. Spicer’s session was similar to a workshop wherein he educated the audience on using the new NAR India MLS: Business Networking Platform which had been specifically developed for the Indian Real Estate market. The platform which is developed by Proxio Inc. will enable realtors to control the management and marketing aspects of their listings and further control processes like client management, networking, listing management better. Mr. Spicer enumerated the requirements of such a platform for the realtors today. He also did a comparative analysis of the present tools such as Facebook, property listings and directories with the new platform and educated the audience on the benefits of the new platform.

He gave a very simple step by step guide for a layman to register on the platform and then explained salient features of the program. He also explained the special features of the platform like multi-lingual system which will help enable NAR India Members to extend their reach both nationally and globally.
**Real Estate Marketing: Leveraging the power of technology and internet – Ganesh Vasudevan**

Taking the topic of application of technology forward, Mr. Ganesh Vasudevan (Vice President, India Property) focused on the role of technology and internet and how this could be leveraged by realtors and brokers in growing there customer portfolio and increasing sales.

He started the talk by discussing the increasing influence and reach of internet in Indian households. The number of unique internet users in India is projected to grow from 2.5% in 2007 to 29% in 2015. There is a big share of online market in the Indian residential real estate market. About 80% of online residential sales begin online.

He further added that it is clear from the data that the buying habits are shifting from conventional referral and offline agents to online search and agents. Thus, internet is a very important tool for realtors to reach out to the potential customers. There are many ways in which this can be done; blogs, website, social media marketing search etc to just to name a few.

Search engines are the first point of contact for the online real estate marketing funnel which allows realtors to reach out to maximum customers. From there, website and blogs allow them to convert the potential customers into actual customers. Social media plays an important role here and thus the modern realtor should ensure a positive presence in the various forums of social media - facebook, linkedin, youtube and twitter. With so many platforms available, it is easy for a realtor to be confused. Therein comes the importance of online property portals.

Further, he explained the platform provided by indiaproperty.com. It has benefits for buyers, sellers and agents as they can maximize their gains with minimum efforts and time. The ever increasing reach of mobile phones can also be leveraged by the mobile phone application of indiaproperty.com.