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Investments in property went up by 85%: Report

The increase in deal volume is testimony to the fact that India is a maturing market, with high value creation potential for its investors. SURESH CASTELLINO, executive national director, Capital Markets and Investment Services, Colliers International India

As per Colliers International's recently released report titled 'Of High Growth, Low Real Rates and Black Swans', India witnessed a growth of 85% in property investments in the first nine months of 2017, compared to the same period last year.

The deal volume is recorded at USD 2.6 billion in the first nine months of 2017 as compared to 1.4 billion last year. Although property investment in India remains modest in relation to the country's size and importance, this growth in activity may be a sign that India is starting to mature as an investment market.

The increase in deal volume is a testimony of the fact that India is a maturing market, with high value creation potential for its investors. Also, it endorses that there is immense growth potential in commercial, industrial and warehousing industry as most of this capital has been employed in these sectors", says Suresh Castellino, executive national director, Capital Markets and Investment Services, Colliers International India.

Looking at the investment markets on country-basis, Japan retained its position at the top of the table of investment in income-producing properties as on YTD September 2017. However, total transactions in Japan fell by 12% YoY to USD 23.3 billion, and ranked just above China that registered transactions of USD 22.3 billion (down 2% YoY). Australia was ranked 3rd in the list with total transactions dropped by 19% to USD 15.2 billion. In contrast to the lackluster performance, in the top three markets, fourth-placed Hong Kong saw a 38% increase in transactions of USD 14.7 billion. South Korea, recorded a 33% increase in transactions, while deal volumes in Singapore surged by 83%, to USD 8.7 billion.

As per Colliers Research, the economic performance of India has been slightly disappointing compared to the rest of Asia. However, in Q3 2017, India recorded a growth of 515% in deal volume, to USD 1.2 billion, albeit with a very low base for comparison.

The report further highlights that India has higher benchmark interest rates as compared to other countries. Following the cut to the repo rate by Reserve Bank of India, benchmark interest rates have fallen to 6.4%. Most economic forecasters, expect the Reserve Bank of India to keep interest rates unchanged in the coming months, although, few expect further rate cuts. CPI inflation has been under control, reaching 3.3% YoY in September, however, certain core measures of inflation are significantly higher.

"Various economic forecasts expect CPI inflation to move back above 5% in H1 2018, and remain constant. If so, then real interest rates should stay below about 1.6% over next years, compared to a range of about 3.0-4.3%, over the first three quarters of 2017. This loosening of real monetary conditions ought to support capital values in our maturing investment property market", says Surabhi Arora, senior associate director, Research, Colliers International India.

Looking forward, Oxford Economics, expects average real GDP growth in India to slow from 6.9% over the period 2017-2021 to 6.3% over the period 2022-2024.

This growth outlook reflects the following factors: Leading position in service sectors: The middle class is set to expand with the number of households with income greater than USD 30,000, likely at least to double over the next decade

Competitiveness: India's competitiveness in international markets with unit labour costs among the lowest of the BRIC economies Slow improvement in

infrastructure: The inadequate infrastructure has prevented supply from increasing in line with the demand.

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