

**GOVERNMENT OF INDIA
HOUSING AND URBAN POVERTY ALLEVIATION
LOK SABHA**

UNSTARRED QUESTION NO:597

ANSWERED ON:02.03.2007

FDI IN REAL ESTATE

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Will the Minister of HOUSING AND URBAN POVERTY ALLEVIATION be pleased to state:

- (a) whether the Government is considering to open up 100% Foreign Direct Investment in Real Estate;
- (b) if so, the details in this regard and its impact on Real Estate Market; and
- (c) the norms fixed for the purpose?

Answer

MINISTER OF STATE IN THE MINISTRY OF HOUSING & URBAN POVERTY ALLEVIATION (KUMARI SELJA)

(a)to(c): Policy permits FDI upto 100% on the automatic route in Construction Development Project, including housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, townships subject to conditions notified in Press Note 2 (2005 series) including minimum capitalization, requirement and minimum area to be developed under each project. The provision of Press Note 2 (2005 series) are also not applicable to Special Economic Zones and Establishment & operation of hotels and hospitals. FDI is not permitted in any other activity of Real Estate. A copy of Press Note 2 (2005 Series) is at Annexure. The amount of FDI approved during April, 2006 to December, 2006 is Rs.3612.50 Crores

ANNEXURE REFERRED TO IN REPLY TO LOK SABHA USQ.NO. 597 FOR 2.3.2007

ANNEXURE

Government of India
Ministry of Commerce & Industry
Department of industrial Policy & Promotion
SIA (FC Division)

Press Note 2 (2005)

Subject: Foreign Direct investment (57)1 in townships, housing, built-up infrastructure and construction- development projects.

With a view to catalysing investment in townships, housing, built-up infrastructure and construction-development projects as an instrument to generate economic activity, create new employment opportunities and add to the available housing stock and built-up infrastructure ,the Government has decided to allow FDI up to 100% under the automatic` route in townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure) subject to the following guidelines:

- a. Minimum area to be developed under each project would be as under:
 - i. In case of development of serviced housing plots, a minimum land area of 10 hectares
 - ii. In case at construction-development projects, a minimum built- up area of 50,000 sq.mts
 - iii. In case of a combination project, any one of the above two conditions would suffice
- b. The investment would further be subject to the following conditions:
 - 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. Original investment cannot be repatriated before a period of three years from completion of minimum capitalization. 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. For the purpose of these guidelines, `undeveloped plots` will mean where roads, water supply, street lighting, drainage, sewerage, and other conveniences, as applicable under prescribed regulations, have not been made available. It will be necessary that the investor provides this infrastructure and obtains the completion certificate from the concerned local body/service agency before he would be allowed to dispose of serviced housing plots. `

d. The project shall conform to the norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, bye-laws, rules, and other regulations of the State Government/Municipal/Local Body concerned.

e. The investor shall be responsible for obtaining all necessary approvals, including those of the building/layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with all other requirements as prescribed under applicable rules/bye-laws/regulations of the State Government/Municipal/Local Body concerned.

f. The State Government Municipal/ Local Body concerned, which approves the building / development plans, would monitor compliance of the above conditions by the developer.

2. Para

(iv) of Press Note 4 (2001 Series), issued by the Government on 21.5.2001, and Press Note 3 (2002 Series), issued on 4.1.2002, stand superseded.

Sd/-

(Umesh Kumar)

Joint Secretary to the Government of India

No. 5(6)/2000-FC dated 3rd March 2005

Copy forwarded to Press Information Officer, Press Information Bureau, for giving wide publicity to the above Press Note.