

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:37

ANSWERED ON:01.03.2005

FOREIGN DIRECT INVESTMENT IN REAL ESTATE

Gaikwad Shri Eknath Mahadeo;Mandlik Shri Sadashivrao Dadoba;Rao Shri Kavuru Samba Siva;Singh Shri Kirti Vardhan;Vijay Krishna Shri ;Yaskhi Shri Madhu Goud

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Government is considering to open up 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

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI E.V.K.S. ELANGO VAN)

(a) to (c): Foreign Direct Investment (FDI) up to 100% with prior Government approval is already permitted for the development of integrated townships, including housing, commercial premises, hotels, resorts, city and regional level urban infrastructure facilities, etc. With the objective of catalysing investment in the infrastructure sector, the Government has decided to allow FDI up to 100% under the automatic route for the development of townships, housing, built-up infrastructure and construction-development projects. This is aimed at accelerating the growth of the construction sector, which would have a multiplier effect on the economy by encouraging construction activities, improving infrastructure; giving spin off benefits to construction material industries like cement, steel and brick-making; and creating employment.

FDI in these activities would be allowed subject, inter alia, to the following:

a. Minimum area to be developed under each project would be:

- 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 sq.mts,
- iii. In case of a combination project, any one of the above two conditions would suffice.

b. 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.