

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

UNSTARRED QUESTION NO:2080

ANSWERED ON:06.08.2010

FOREIGN INVESTMENT IN REAL ESTATE SECTOR

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

- (a) whether the Government has allowed to open Foreign Direct Investment (FDI) in real estate sector;
- (b) if so, the criteria/guidelines for foreign investment in real estate sector;
- (c) the number of foreign investors and the funds invested by each of them in real estate sector since it has been opened to foreign investment;
- (d) the opportunities available for small foreign players to invest in real estate business;
- (e) whether the Government proposes to set up Real Estate Investment Trust or Real Estate Mutual Funds to regulate foreign investment along with the big players and to check speculative rise in prices of real estate in the country; and
- (f) if so, the details thereof?

Answer

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

(a) to (d): As reported by Reserve Bank of India, under the extant Foreign Exchange Management Act, 1999 FEMA) Regulations, foreign investment in any form is prohibited in real estate business or construction of farm houses. For this purpose, it is clarified that "real estate business" does not include development of townships, construction of residential/ commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships.

Foreign Direct Investment (FDI) up to 100% under the automatic route is permitted for development of 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 conditions :-

- a. Minimum capitalization of US\$ 10 million for wholly owned subsidiaries and US\$ 5 million for joint venture. The funds would have to be brought within six months of commencement of business of the Company.
- b. Minimum area to be developed under each project- 10 hectares in case of development of serviced housing plots; and built-up area of 50,000 sq. mts. in case of construction development project; and any of the above in case of a combination project.
- c. Original Investment cannot be repatriated before a period of three years from the completion of the minimum capitalization. However, the investor may be permitted to exit earlier with prior approval of Government through the Foreign Investment Promotion Board (FIPB).
- d. At least 50% of the project must be developed within the period of five years from the date of obtaining all statutory clearances. The investor / investee company would not be permitted to sell 'undeveloped plots' i.e. where roads, water supply, street lighting, drainage, sewerage, and other conveniences, as applicable under the prescribed regulations, have not been made available. It will be necessary that the investor provides this infrastructure and obtains the completion certificate from the local body / service agency before he would be allowed to dispose of serviced housing plots.
- e. 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.
- f. The investor/investee company 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.
- g. The State Government/ Municipal/ Local Body concerned, which approves the building / development plans, would monitor

compliance of the above conditions by the developer.

h. The conditions as at sub paras a. to d. would not apply to Hotels & Tourism, Hospitals and SEZ's.

i. For investment by NRIs, the conditions at sub paras a. to d. would not apply.

j 100% FDI is allowed under the automatic route in development of Special Economic Zones (SEZ) without the conditionalities at sub paras a. to d. above. This will be subject to the provisions of Special Economic Zones Act 2005 and the SEZ Policy of the Department of Commerce.

k. FDI is not allowed in Real Estate Business.

Details of investment received are given in Annexure.

(e) & (f): The information is being collected and will be laid on the table of the Sabha.