

UNCERTAINTIES IN THE GCC REGION

ARE DRIVING NRI's TO INVEST
IN INDIAN REAL ESTATE

Research Report by
360 Realtors

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How Uncertainties in the GCC Region is Driving NRIs to Invest into Indian Real Estate



Forword

The Gulf Cooperative Council (GCC) which comprises Bahrain, Kuwait, Qatar, UAE, Saudi Arabia & Oman has seen phenomenal economic growth in recent years underpinned by a rise in hydrocarbon exports, continuous drive towards diversification & surge in fiscal spending. Since 1998, the average annual economic growth in the region is to the tune of 5.2%. However, in recent years a slowdown in oil prices & cap on production has a drag on economic growth. In 2019, the GCC's real GDP growth has been forecast to 0.8%, easing out from a growth of 2% during the previous year.

Many markets within the GCC have decoupled from hydrocarbon growth to an extent, yet oil exports continue to play a major role in regional capital flow. Hence a shrink in energy exports is not auguring very well for the regional economy.

Moreover, despite attempts to diversify, global trade wars, doldrums in international financial markets & slowdown in China have also muted growth in non-oil exports.

GCC members continue to maintain a strong fiscal position & growth prospects in the foreseeable future look robust.

However, the recent slowdown has started to impact the general sentiments. Most of the major organizations in the region have either made some job cuts or have at least put a hold on further hiring. The slump in the job markets is most prominent in the high & mid-high income segments. Hence, even if the economic climate will improve in the foreseeable future, it might not be completely risk-averse.

As the uncertainties are picking up, residents are looking to alternate options of investments to hedge against any potential risk. Since local Real Estates are itself going through a rough time, the expatriate populations living in the region is pivoting to their home countries.

Amidst such readjustments of capital flows, NRIs living in the GCC region are investing in Indian Real Estate in big volumes. In the previous financial year, total NRI investments into the Indian housing market amounted to USD 5 billion.

This year, as per research by 360 Realtors, it is expected to grow further by 10%. Traditionally, Indian expats living in GCC prefer to have a home in India as there is no residency policy in the region.

However, as the regional growth sentiments are moderating, many NRI buyers are purchasing property (or properties) with the intent to mitigate possible risks. Attractive home prices in India, the plethora of discount options by developers & weakened rupee are further enticing NRIs to buy homes in India.



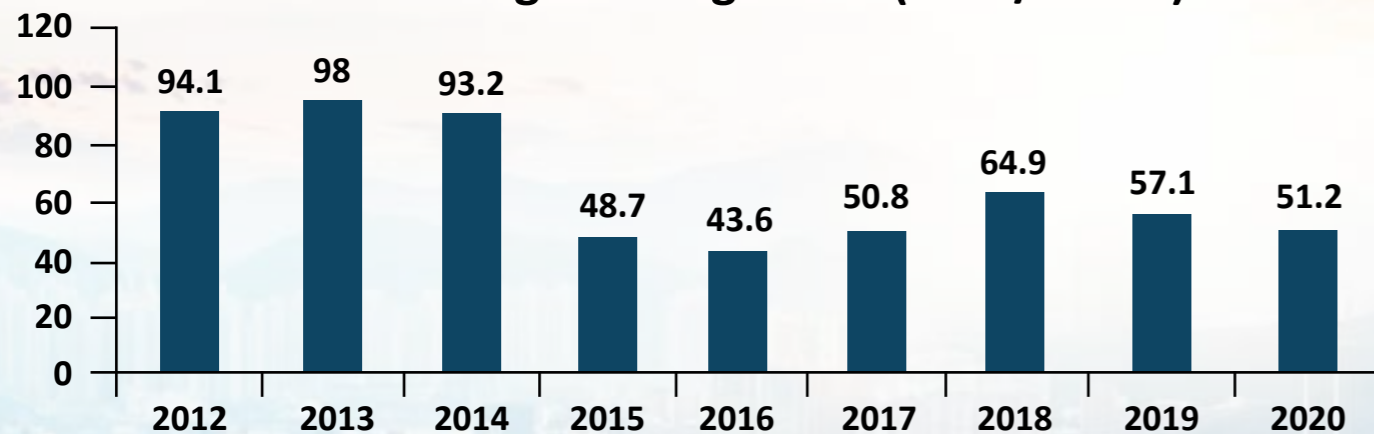
Ankit Kansal
Founder & MD, 360 Realtors

The slump in Oil Prices & Escalation in Trade Wars- Drag on the GCC Economy

The decline in oil productions has weighted on the economic growth of the GCC region, despite resilience shown by the individual economies. The region's biggest economy Kingdom of Saudi Arabia (KSA) has grown by just 0.4% in 2019, its poorest performance since 2017, as per the estimates by the World Bank. The non-oil GDP of KSA has grown by 3.3% in 2019, driven by growth in BFSI, tourism & retail trade. However, a shrink

in oil exports, which constitutes around 70% of the total exports, has adversely impacted the economy. Slow global growth & curb in oil prices have impacted Qatar's economy as well, which grew by just 0.5% in 2019. As one of the most diversified economies in the region, UAE witnessed growth in the non-oil component of the GDP. The overall economy of the UAE grew by 1.7% in 2019.

WTI Average Closing Prices (USD/Barrel)



Source: 360 Realtors Research

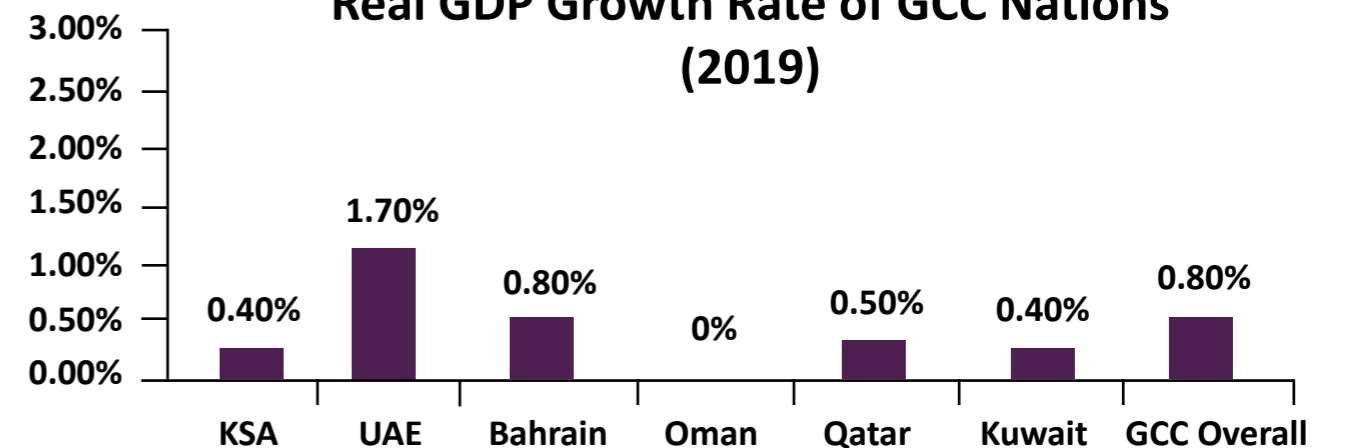
In Bahrain, some growth has been witnessed in sectors such as transport & communication, hotels & retail. The country has also made notable investments in infrastructure development. Kuwait, the 4th largest oil producer of OPEC, has posted a GDP growth of just 0.4% in 2019, due to cut in oil production. Initial predictions have indicated that economies in most of the GCC nations will recover this year, on the back of a potential

rebound in oil prices alongside a rise in non-oil activities. The upside from the recent investments into infrastructure should further lead to revival. However, given the current geopolitical situation, the markets are not all risk-averse. The fact that GDP growth will gain momentum is pinned on the fact that oil exports will rise. But given the current geopolitical situation, there might be further cut on oil production & exports

across the region. The current trade wars & outbreak of Coronavirus can further cap the growth of non-oil GDP such as trade, tourism & hospitality, thereby renewing economic pessimism. Most of the regional economies have a strong fiscal buffer to contain the current risk. However, if the weakened oil prices continue, economic risks will

surely escalate. A climate of the subdued economy will hurt the job market as well. Amidst poor growth forecast, major enterprises will cap on pay hike & avoid new hiring. Already, there have been sectors such as Banking & Finance that have witnessed some layoffs.

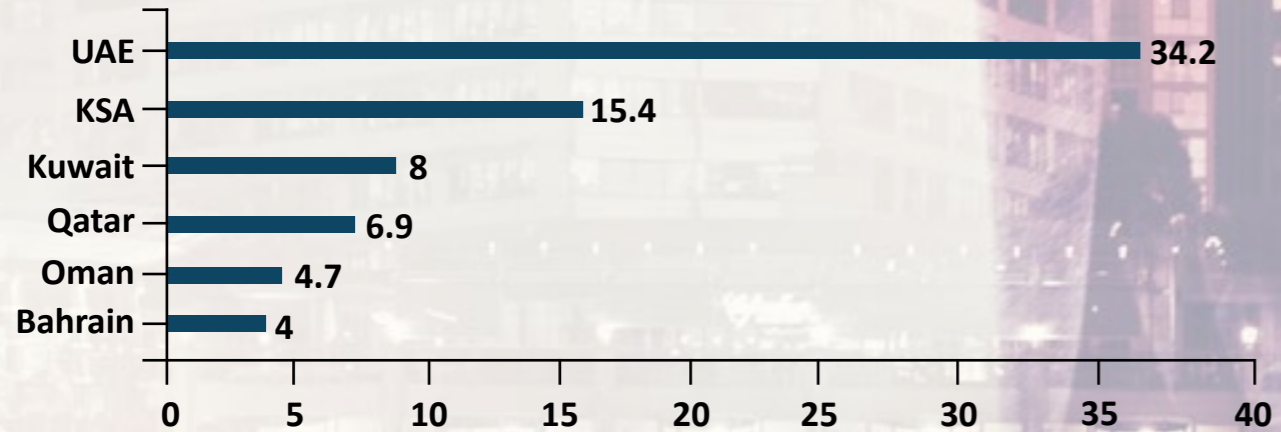
Real GDP Growth Rate of GCC Nations (2019)



Source: World Bank

Hedge Against Future

Population of Indian Expats in hundred thousands



Source: Govt. Agencies

The GCC region has a very expansive Indian expatriate population, who are employed across numerous companies at various profiles. A sizable portion of the Indian expatriate is also self-employed. As economic outlook looks far from being risk-proof, NRIs are naturally drawn towards safer options to invest. Many are purchasing Real Estate as it is believed to be a relatively secured asset. Also, Real Estate can ensure constant recurring income in the form of rentals.



As the GCC Real Estate markets itself are in a tailspin, marked by sharper price corrections & poor demand, NRIs are looking to India for investments. A weakened value in INR coupled with attractive discount schemes by developers is further giving a buying boost to the GCC based

NRIs. As per research by 360 Realtors, this financial year, the GCC nations are expected to constitute 42% of the total estimated NRI investments into Indian Real Estate, rising by 10% Y/Y.

NRI Investments from GCC Region in USD Billion

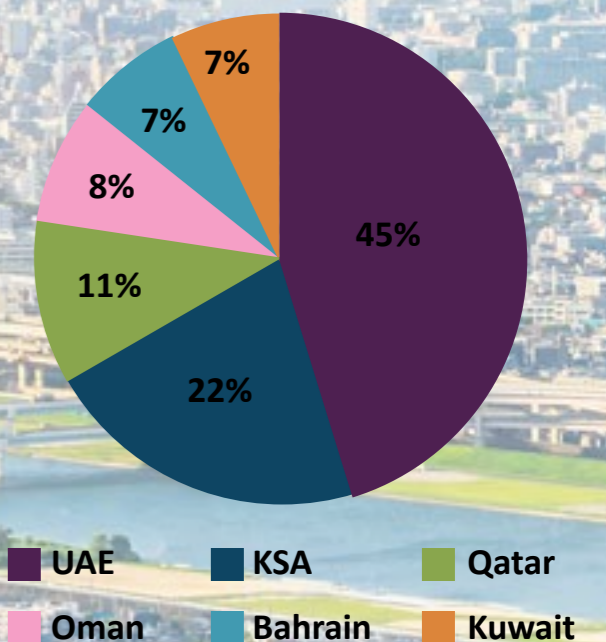


Source: 360 Realtors Research

In the current FY, UAE will continue to lead the investments from the GCC region into the Indian housing market. The country will constitute 45% of the total money inflow. This will be followed by KSA, which will constitute slightly less than half of the money coming from the UAE. The third prominent destination in terms of NRI investments from the GCC is Qatar.

India currently, it is natural that many Indians would prefer to make the move before the prices start rising again.

Country-wise NRI Investments Break-up



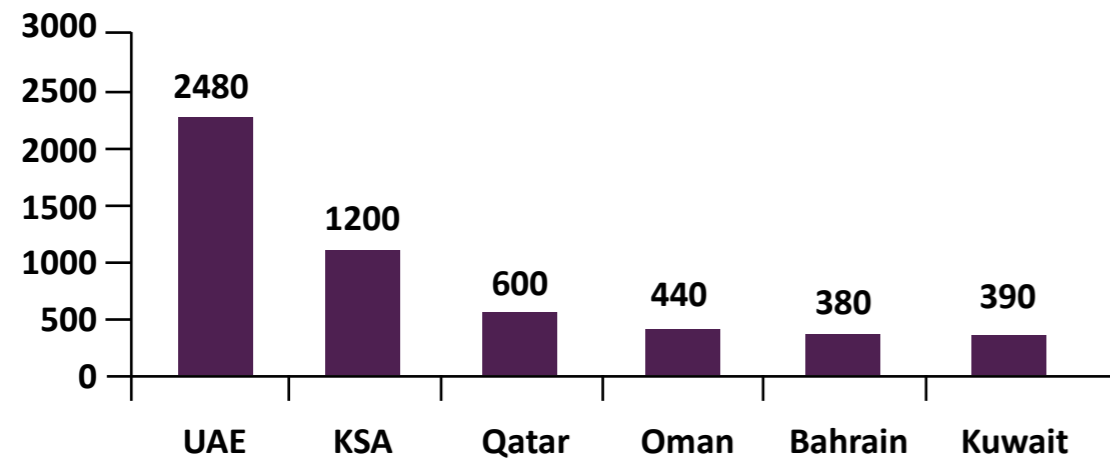
Source: 360 Realtors Research

In recent years, there has been a rise in Qatar-based NRI investments in Indian residential markets. Qatar's economic progress has also resulted in a windfall of wealth for many Indians employed there, thereby giving them enough bandwidth to make investments. The growing interest of GCC based NRI buyers on the Indian property market is stemming from multiple factors.

To hedge against potential risks, NRI buyers are pivoting to Real estate. Property prices in India have corrected in recent years, which are enabling buyers to get good deals. Likewise, the rupee has also softened, which is further helping NRI buyers in deepening their buying powers. In most of the GCC nations, there is a growing emphasis on giving locals preference for jobs. This is also translating into some anxiety amongst Indians based out of there. As prices are attractive in



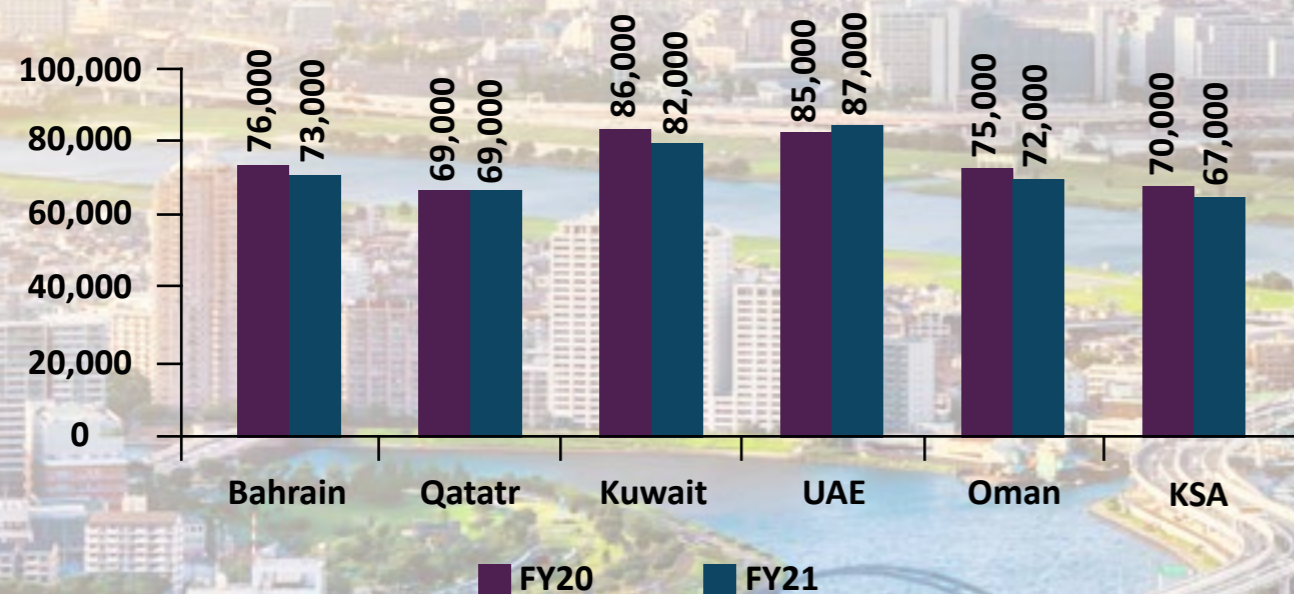
Total Estimated Investments from GCC in Indian Housing Market in USD Million (FY 21)



Source: 360 Realtors Research

The flight towards affordability is visible in GCC-based NRIs as well. Average ticket sizes of NRI purchases are expected to dip in the current Financial Year. Apart from the UAE, most of the source countries will witness a marginal dip in average ticket sizes. In Qatar, the ticket sizes are expected to be stable.

Average Ticket Size Comparison (values in USD)



Source: 360 Realtors Research

Research Methodology

360 Realtors is one of the biggest advisories based out of the NRI space. The company accounts for over a quarter of the total NRI investments made into the Indian property market. It has offices across all the GCC economies- UAE, Qatar, KSA, Oman, Bahrain & Kuwait. Apart from sales forces, the company has also employed on-ground research staff in these offices to keep scrutinizing the latest market trends about NRI buying behaviour.

Leveraging its on-ground research staff, the company continues to publish high-quality research & publications – specific to the NRI buying behaviour. This year it has interviewed over 250 potential buyers from the region, who are willing to buy property in India. The interview was conducted to understand their buying behaviours, key drivers, principal motives & the kind of ticket sizes that they are willing to purchase. This research has been compiled based on the insights received & juxtaposing it with previous research reports.



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