MONTHLY UPDATE
OCTOBER 2017

Knight Frank

EASING THE WAY TO DO BUSINESS

GLOBAL UPDATE | INDIA UPDATE | ECONOMIC TRENDS | INDIA INFRASTRUCTURE & REALTY UPDATE

GLOBAL UPDATE

BANK OF ENGLAND RAISES INTEREST RATES

The Bank of England raised its key interest rate by a quarter-percentage point to 0.5%. It is the first hike in 10 years. The Monetary Policy Committee voted 7 – 2 to raise the rate, a move that comes as inflation sits at 3% and economic growth has slowed. “There remain considerable risks to the outlook, which include the response of households, businesses and financial markets to developments related to the process of EU withdrawal,” the bank said in a statement.

US ECONOMY MAINTAINS ITS GROWTH MOMENTUM

The U.S. economy grew at 3% between July–September 2017. In the backdrop of the damage caused by hurricanes Harvey, Irma and Maria, the economy was at best expected to grow by 2.5%. In fact, for the first time in three years, the US economy has enjoyed back-to-back quarters of 3% growth. Growth between April–June 2017 was 3.1%.

COMMODITY PRICES LIKELY TO RISE IN 2018: THE WORLD BANK

As per The World Bank, oil prices are forecast to rise to $56 a barrel in 2018 from $53 this year, due to the steadily growing demand, agreed production cuts among oil exporters and stabilising U.S. shale oil production, while the surge in metals prices is expected to level off next year. In its Commodity Markets Outlook for October, The World Bank has stated that prices for energy commodities—that include oil, natural gas, and coal—are forecast to climb 4% in 2018. The metals index is expected to stabilise in the coming year, after a 22% jump this year, as a correction in iron ore prices is offset by increased prices in other base metals. Prices for agricultural commodities, including food commodities and raw materials, are anticipated to recede modestly in 2017 and edge up next year.

SUB-SAHARAN ECONOMIES TO STRENGTHEN GROWTH MOMENTUM: IMF

According to the International Monetary Fund (IMF) bi-annual report, economic growth among countries in sub-Saharan Africa is expected to rebound this year from their 20-year lows in 2016. But despite the modest recovery, the Washington-based organisation warns public debt is rising and soon could become unsustainable in some African countries. After a slowdown in 2016 where the sub-Saharan regional economy grew by just 1.4%, the IMF said that growth is expected to almost double this year to 2.6%, and to reach 3.4% in 2018.

INDIA UPDATE

INDIA JUMPS 30 PLACES IN EASE OF DOING BUSINESS

India has put up its most impressive show in the Doing Business Report, 2018 of The World Bank. Of the 190 countries ranked in the study, India was ranked 100. India has jumped 30 places from last year's ranking. The Doing Business Report is an assessment of 190 economies and covers 10 indicators that span the lifecycle of a business. Of the 10 indicators on which a country is ranked, India has improved its rank in six of the indicators. This edition of the report acknowledges India as a top improver compared to the previous year. India is the only country in South Asia and among the BRICS economies to feature among the most improved economies in the Doing Business Report this year. To give an idea of the marked improvement made by India on the “Resolving Insolvency” parameter, India's rank improved from 136 to 103. On the “Paying Taxes” parameter, rank improved from 172 to 119 while for “Getting Credit” the rank has improved from 44 to 29. On the “Enforcing Contracts” parameter India's rank improved from 172 to 164. Further as regards “Protecting Minority Investors” India's rank improved from 13 to 4 and “Construction Permits”, the rank improved from 185 to 181.

SLIPPING CONSUMER CONFIDENCE: RESERVE BANK OF INDIA (RBI) SURVEY

As per the Consumer Confidence Survey conducted by the RBI, 34.6% of the respondents believe that the general economic condition had improved in September 2017 down from 44.6% in September 2016. Further, 40.7% of the respondents felt that the economic situation had worsened in September 2017, as against 25.3% during the same period last year. In the backdrop of a worsening economic scenario, employment prospects were the biggest worry of the respondents. As per the survey, 43.7% of the respondents believed that the current perception about employment had worsened compared to 31.4% in November 2016. The Current Situation Index, which measures consumer sentiments about the present economic situation, further slipped in the pessimistic zone. The same set of parameters also pulled down the Future Expectations Index, which measures the overall sentiments about the economic situation in the next six months, in September 2017 compared to June 2017.

SBI CUTS HOME AND AUTO LOAN RATES

The country's largest bank by deposits, further reduced home and auto loan rates. Home loan rates have been reduced to 8.30% from 8.35% and the auto loan rate was brought down to 8.70% from 8.75%. With the State Bank of India taking the lead in reducing rates, other lenders are expected to follow suit. The reduction in home loan rates should give a much needed boost to the real estate sector (read residential property market) which has been under some stress in the recent past. With SBI reducing rates, going forward other financial institutions too could follow the same route.

DIRECT TAX COLLECTIONS INCREASE

The provisional figures of direct tax collections up to September 2017 show that net collections are at ₹ 3.86 lakh crore, which is 15.8% higher than the net collections for the corresponding period of last year. Net Direct Tax collections represent 39.4% of the total Budget Estimates of Direct Taxes for FY 2017–18 (₹ 9.8 lakh crore). Gross collections (before adjusting for refunds) have increased by 10.3% to ₹ 4.66 lakh crore during April to September 2017. Refunds amounting to ₹ 79,660 crore have been issued during April to September 2017.

SEVENTY-ONE PER CENT GROWTH IN FOREIGN TOURIST ARRIVALS ON E-TOURIST VISA IN SEPTEMBER 2017

During September 2017, 1.18 lakh tourists arrived on e-Tourist Visa compared to 0.69 lakh during the same period last year, thereby registering a growth of 71.0%. Between January–September 2017, 10.67 lakh tourists arrived on an e-Tourist Visa compared to 6.75 lakh during January–September 2016, registering a growth of 58.0%. The percentage shares of the top 15 source countries availing e-Tourist Visa facilities during September 2017 are as follows: UK (12.1%), USA (10.2%), China (6.3%), Australia (5.5%), Germany (4.9%), France (4.3%), Spain (3.9%), Israel (3.2%) Republic of Korea (3.2%), Oman (3.2%), Canada (3.1%), Singapore (2.6%), UAE (2.2%), Malaysia (2.1%) and Italy (2.1%).

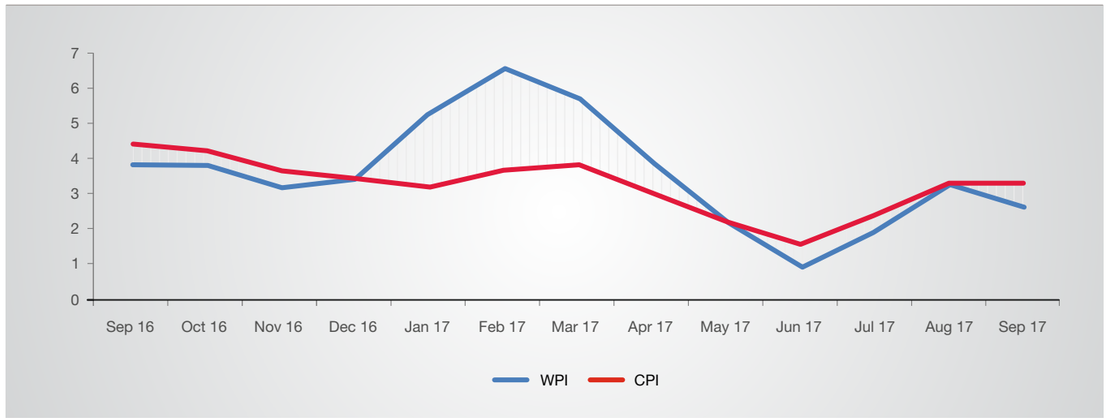
GENERAL PROVIDENT FUND (GPF) TO CARRY 7.8% RATE OF INTEREST

During FY 2017–18, accumulations at the credit of subscribers to the GPF and other similar funds will carry interest at the rate of 7.8% with effect from 1 October 2017 to 31 December 2017. This rate will be in force w.e.f. 1 October 2017.

ECONOMIC TRENDS

CPI REMAINS UNCHANGED; WPI MOVES DOWN

INFLATION

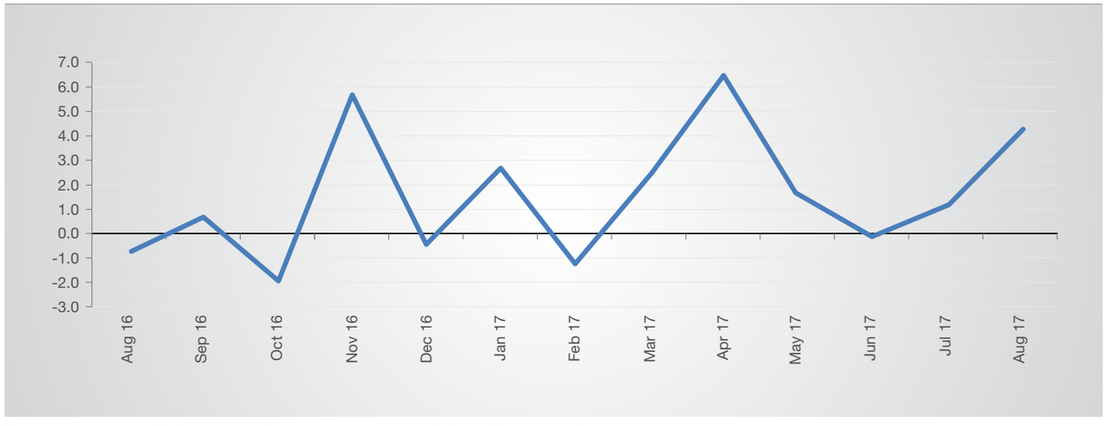


Source: Ministry of Commerce & Industry, Ministry of Statistics and Programme Implementation, Government of India

The CPI, which had slowly started to pick up, after hitting a low in June 2017, remains unchanged in September 2017. The CPI for September 2017 stands at 3.28%, which is the same as the previous month. Only two sub categories witnessed a fall in prices—pulses and products and egg—in September 2017, compared to the same period last year. In case of other product categories, the price increase was moderate. The highest increase in prices happened in case of pan, tobacco and intoxicants. Inflation in the WPI on the other hand shrunk compared to August 2017. The rate of inflation went down from 3.24%, in August 2017, to 2.60% in September 2017. The index for primary articles went down by 3% while that of fuel and power and manufactured products moved up marginally. Interestingly, the rate of inflation based on the WPI Food Index consisting of "food articles" from the primary articles group and "food product" from manufactured products group decreased from 4.41% in August 2017 to 1.99% in September 2017

IIP ON A NINE-MONTH HIGH

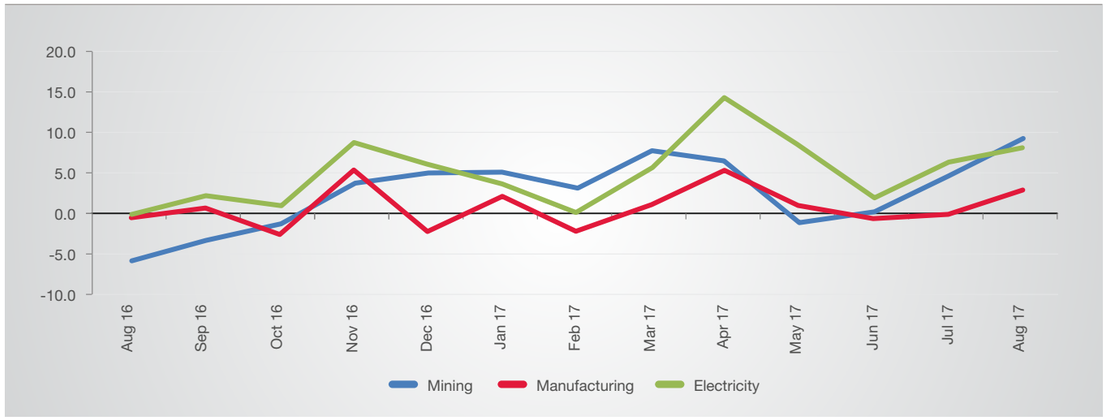
IIP (GENERAL INDEX)



Source: Ministry of Statistics and Programme Implementation, Government of India

After being in the red in June 2017, the IIP hit a nine-month high in August 2017. The last time the IIP recorded such an uptick was in November 2016, when it recorded a growth of 5.7%

IIP (SECTOR WISE)

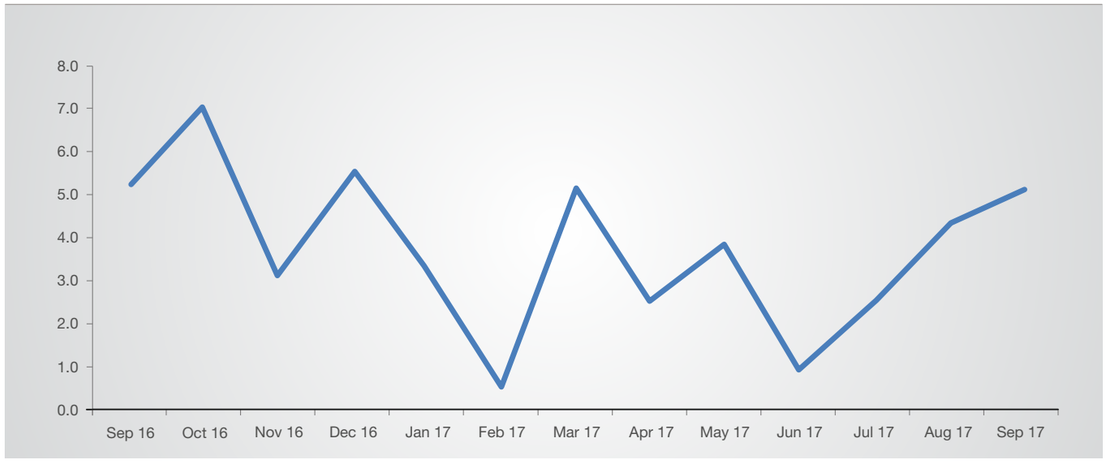


Source: Ministry of Statistics and Programme Implementation, Government of India

The indices of industrial production for the mining, manufacturing and electricity sectors recorded a positive growth in August 2017. The growth rates of the mining, manufacturing and electricity sectors were 9.4%, 3.1% and 8.3%, respectively. The cumulative growth in these three sectors during April–August 2017, over the same period last year, has been 3.3%, 1.6% and 6.2%, respectively.

CORE SECTOR REGISTERS IMPRESSIVE GROWTH

INDEX OF EIGHT CORE INDUSTRIES

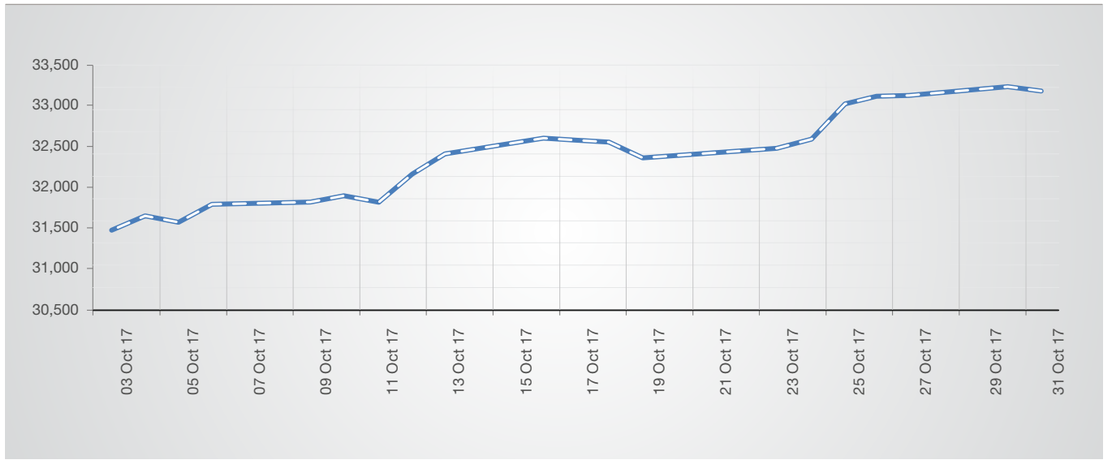


Source: Ministry of Commerce & Industry

After hitting a low of 0.8% growth in Jun 2017, the index of eight core sector has been on its way up. The core sector turned positive in July 2017 and further strengthened its position in August 2017. In September 2017, the core sector continues to impress and is at a nine-month high at 5.2%.

SENSEX

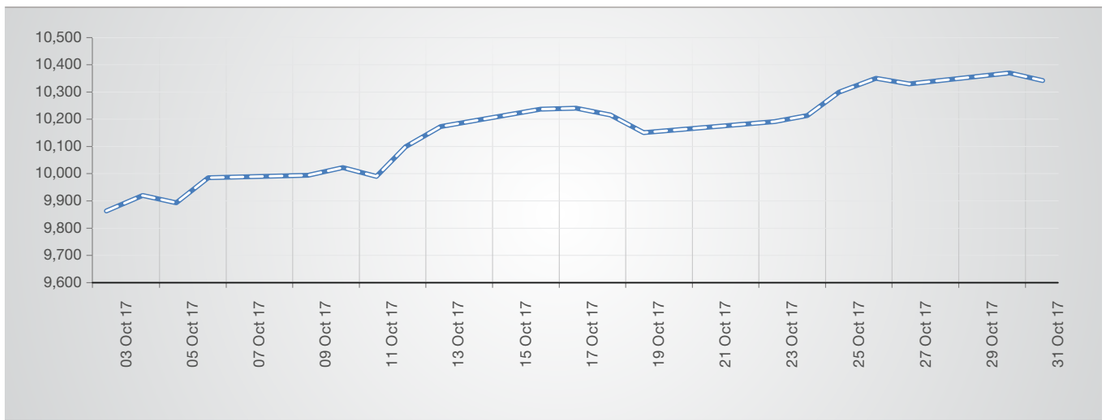
S&P BSE SENSEX



Source: Bombay Stock Exchange

NIFTY

NIFTY 50

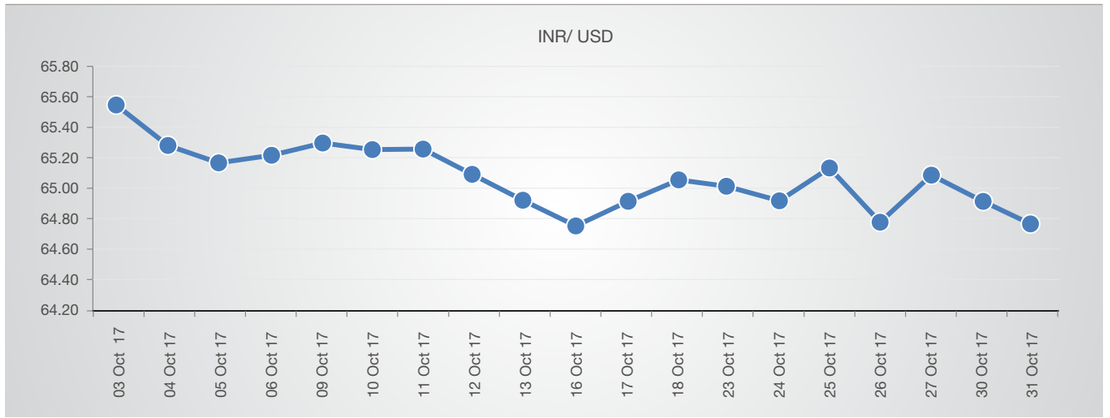


Source: National Stock Exchange

The NIFTY 50 gained 4.8% in September 2017.

CURRENCY

CURRENCY



Source: Reserve Bank of India

The INR gained 1.19% to the USD in October 2017.

INDIA INFRASTRUCTURE & REALTY UPDATE

BHARATMALA PROJECT GETS APPROVAL

The Union Cabinet approved the Bharatmala project, which is among the largest highway construction projects in the country, second only to the National Highways Development Project (NHDP). The highway work worth ₹ 8 lakh crore will begin before the end of 2018 under the Bharatmala project. This ambitious project of the Government of India is expected to be a major driver for economic growth. The programme has been designed to bridge the gaps in the existing highway infrastructure that would help in the faster and more efficient movement of men and material. Nitin Gadkari, Union Minister for Road Transport & Highways, Shipping, Water Resources, River Development and Ganga Rejuvenation, has stated that the project will give the country 50 national corridors as opposed to six, in the present day. With this, 70–80% of freight will be transported along a national highway, as against 40% at present. Further, this project will also meet the connectivity needs of the backward and tribal areas, border areas and trade routes with neighbouring countries. A total of 24,800 kilometres are being considered in phase-1 of Bharatmala. In addition, the first phase of Bharatmala also includes 10,000 kilometres of balance road works under NHDP. Details of the Bharatmala project are as follows.

DETAILS OF THE BHARATMALA PROJECT PHASE-1

Sr. no	Components	Length (in Kms)	Outlay (in Rs crore)
1	Economic corridors development	9,000	1,20,000
2	Inter-corridor & feeder roads	6,000	80,000
3	National corridors efficiency improvements	5,000	1,00,000
4	Border and international connectivity roads	2,000	25,000
5	Coastal & port connectivity roads	2,000	20,000
6	Expressways	800	40,000
7	Balance road works under NHDP	10,000	1,50,000

Source: Ministry of Road Transport & Highways, Government of India

UNCLOGGING OF CITIES

The Bharatmala project, apart from increasing connectivity within the country, will also help decongest major urban centres. Under the project, 28 new ring roads and 45 bypasses have been planned. This move will help unclog traffic across major cities in the country. Ring roads have been planned in Bengaluru, Pune, Sambalpur, Madurai, Indore, Dhule, Raipur, Shivpuri, Delhi, Bhubaneswar, Gurugram, Surat, Patna, Lucknow, Varanasi, Vijayawada, Chitradurga, Amravati (AP), Sagar, Solapur, Jaipur, Belgaum, Nagpur, Agra, Kota, Dhanbad, Ranchi and Udaipur. Under the ring road project, a new ring road has been planned to be constructed in Delhi, which will start near Narela on the National Highway-1, pass through the National highway-10 near Rohini and end at NH-2.

PERFORMANCE OF MAJOR PORTS

Cargo handled by major ports in the country, increased by 3.24% between April–September 2017, compared to the same period last year. The highest growth was registered by Cochin Port (19.62%) followed by Kolkata (including Haldia), New Mangalore, Paradip with a growth of around 12%. During the period April–September 2017, Kandla Port handled the highest volume of traffic (53.29 million tonnes) followed by Paradip (47.61 million tonnes), JNPT with 32.69 million tonnes, Mumbai with 31.23 million tonnes and Visakhapatnam with 30.15 million tonnes. Together these five ports handled 60% of the major port traffic.

IMPROVING CONNECTIVITY IN DELHI NCR

Going forward, travelling will be much easier in Delhi NCR. Metro services have completely transformed the manner in which people travel within Delhi NCR. The Magenta Line, which is currently under trial, will bring South Delhi closer to Noida. In the present day, it takes around 52 minutes to travel between Noida and South Delhi through the metro network. Travelling between the two points during peak office hours can take more than an hour. The Magenta Line, once operational, will bring the travel time between Noida and South Delhi to 16 minutes. There are also plans to expand the rapid metro services in Gurugram. As per a new proposal, under phase 3 of the Rapid Metro service, connectivity will be provided from Sikanderpur metro station to Gurugram railway station.

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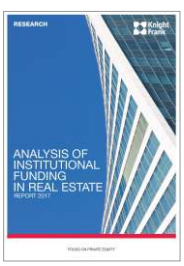
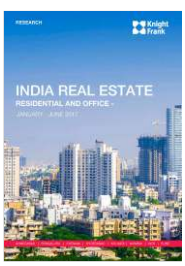


ANALYSIS OF INSTITUTIONAL FUNDING IN REAL ESTATE

REIT-ABLE SPACE IN INDIA 2017



INDIA REAL ESTATE OUTLOOK JAN TO JUN 2017

LOOKING BEYOND BORDERS

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