

Indians' spends on overseas homes swell manifolds: Knight Frank-IREX report

- *Buying international homes cheaper today vis-à-vis 2016*
- *Residential property in 4 out of the 5 most-preferred international markets earned positive returns over 5 years*
- *Almost 1 out of 4 resident Indians prefer to spend more than USD 1 million for a house overseas*
- *63% Indian buyers picked compact apartments of less than 1,500 sq ft – the most preferred property size*
- *Children's education and use of property as a second home are the primary reasons why resident Indians buy a property in the UK.*
- *More than two-third resident Indians prefer apartments followed by villas for overseas homes*

Mumbai, October 5, 2017: Emerging Indian footprints in residential neighbourhoods abroad have been a matter of immense interest and curiosity. ***Looking beyond Borders***, the latest report jointly brought out by Knight Frank India and the International Real Estate Expo (IREX) takes a closer look at the buying behaviour, investments returns, preferences and key drivers pushing resident Indians to acquire residential property on foreign soil.

Key findings:

OVERVIEW

- **Overall findings based on 10 countries:** Australia, Sri Lanka, United Arab Emirates, Malaysia, Cyprus, Mauritius, Thailand, USA, Philippines and United Kingdom
- **Detailed analysis of the 6 most-preferred markets:** Australia, Sri Lanka (*except return on investments*), United Arab Emirates, Malaysia, Cyprus and United Kingdom
- The share of funds spent on buying homes abroad through the **Liberated Remittances Scheme** dwindled from **8%** in FY 2006 to 1% in FY 2017. But the quantum of investments rose by almost **59-folds** from USD 1.9 mn in 2005–06 to USD 111.9 mn in 2016–17

INVESTMENTS IN OVERSEAS PROPERTY 5 YEARS BACK

- Resident Indians buying overseas homes at the end of Q2 2012 and selling the property five years later gained from the investments in 4 out of the 5 most preferred international markets

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- Resident Indian investing in homes in Cyprus lost money owing to the decline in property prices coupled with appreciation of the Indian Rupee making it the only international market where it did not gain on investments
- At 51.6% Australia witnessed the highest property appreciation followed by Malaysia (43.8%) between Q2 2012 and Q2 2017
- Residential property buyers in Dubai have benefitted the highest with an overall return of 49.3% followed by Australia at 38.7%
- Dubai offered dual returns as the Indian Rupee depreciated versus the local UAE currency and property prices in the Gulf destination appreciated between Q2 2012 and Q2 2017
- Despite the strengthening of the Indian Rupee against the currencies of Australia, Malaysia and the United Kingdom, the impact of appreciation of property prices outweighed the impact of currency appreciation.

INVESTMENT RATIONALE FOR AN INVESTOR INVESTING TODAY

- Strengthening of the Indian Rupee against several global currencies has made investments in overseas homes more affordable than a year ago.
- Resident Indian buying homes in United Kingdom, Cyprus, Malaysia and Dubai today (as of end of Q2, 2017) would find cheaper as compared to a year ago. This is despite property appreciation in residential markets across Cyprus, UK and Malaysia.
- Buying a house in Malaysia is the cheapest followed by Dubai.
- Acquiring a residential property in Australia would be 11% steeper now over (as of end of Q2, 2017) over the same period last year as property appreciation has outweighed the advantage of the strengthened Indian Rupee.

INVESTMENTS AND TAX COSTS

- At 32.9% Australia had the highest tax incidence and overall cost amongst the countries that we have considered.
- Dubai offered the lowest incidence of tax but the overall costs (including tax and non-tax cost) for property investments are the lowest in Malaysia while investing in a property.

HOME PREFERENCES

- Queries from resident Indian buyers increased marginally from 11% in 2015 to 15% in 2016 and held steady around that mark this year
- Similarly sales volumes rose from 6% in 2015 to 8% in the subsequent year and sustained at 7% this year

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- Most resident Indian buyers intend to purchase property abroad for investment purposes followed by the aspiration of having a second home.
- Sixty-three percent of the resident Indian buyers preferred compact apartments of less than 1,500 sq.ft
- About one-fifth of the resident Indians showed a preference for a villa since countries such as Cyprus and Sri Lanka are perceived as second home options and holiday destinations
- Approximately 77% of the Indian buyers prefer a property that is less than USD 1 million.
- Almost 1 out of 4 resident Indians prefer to spend more than USD 1 million for a house overseas.

COUNTRY-WISE BREAK-UP

Australia

- The Australian education system is one of the best in the world. Children's education has been cited as the most prominent reason for buying a house in Australia.
- 50% resident Indians showed preference for a property size exceeding 2,000 sq ft in contrast to overall penchant for compact homes
- 37% resident Indians are keen to pay more than USD 1 million for buying a property in Australia.

Sri Lanka

- Investment purpose is the highest ranked reason for buying a property in Sri Lanka closely followed by the property being bought as a second home and for self-consumption.
- 66% of the resident Indians prefer property sizes up to 2,000 sq ft in Sri Lanka.
- 64% of the respondents Indians are willing to pay less than USD 1 million in Sri Lanka.

UAE

- 67% of the resident Indians prefer an apartment size of less than 1,500 sq ft in Dubai.
- 80% of the respondents prefer a compact property priced less than USD1 million.
- A two-bedroom apartment across prime locations such as Dubai Marina, Business Bay and Palm Jumeirah command a ticket size of approximately USD 0.5-1.3 million, an unthinkable price for a similar property in India.

Malaysia

- 88% of the resident Indian buyers prefer houses smaller than 2,000 sq ft.

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- Kuala Lumpur is the most preferred city in Malaysia for Indian buyers.
- Smaller houses are increasingly becoming preferred domestic and expat real estate buyers.

Cyprus

- 67% of the Indian home buyers prefer a property size less than 1,500 sq ft, in Cyprus.
- Cities in Cyprus attracting Indian buyers: Limassol, Paphos, Larnaca, Paralimni and Nicosia.
- 56% of the respondents are willing to pay less than USD 0.5 million to buy a property in Cyprus.

UK

- Children's education and use of property as a second home are the primary reasons why resident Indians buy a property in the UK.
- 79% of the Indians prefer compact homes in the 1,500 sq ft category.
- 89%: Indians prefer properties in the ticket size of less than USD 1 million.

Speaking about the report, **Shishir Baijal, Chairman and Managing Director, Knight Frank India**, said, "Our ideas of homes have clearly travelled beyond the native frontiers of imagination synonymous with the concept. Today resident Indians investing in residential properties overseas are mostly sound investment decisions. Buyers must be well informed about price trends, taxations and duty structure of respective international markets, repatriation of funds, currency movement etc. to make informed decisions. This Knight Frank India report is the inaugural step towards a series of annual reports in which we try to give enough information to prospective buyers to make informed decisions."

According to **Dr. Samantak Das, Chief Economist & National Director - Research, Knight Frank India** "Our perceptions on buying international property have been largely confined to high net worth individuals buying luxury housing at picturesque foreign locations. At the onset this report looks beyond that stereotype and throws light on mainstream residential property purchased by resident Indians from other income groups. It further delves into buyers' preferences over size of homes, budgets and most importantly the key drivers pushing resident Indians to acquire homes abroad. The report findings also reflect healthy returns on investments for such buyers which augurs well for the real estate sector as a whole."

Vimal Anand, Director, Global Media Network said "Resident Indians are increasingly investing in properties abroad. This report focuses on the investment trends, buyer profile and factors that influence their decisions besides analysing the major investment destinations. While, this report will help Indian investors in identifying the best locations for property investment, it will also immensely help international developers and property marketing companies in understanding the Indian market and help them take marketing decisions."

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About International Real Estate Expo

International Real Estate Expo (IREX) is an annual show that presents investment avenues for high net worth and wealthy individuals who intend to invest in international real estate and premium luxury properties. The show draws visitors from all over India and has participation from leading real estate developers and marketing firms from US, UK, UAE, Australia, Europe, Sri Lanka, Malaysia, Thailand, Mauritius, etc.

The show serves as an innovative meeting platform and brings international real estate developers face to face with individual and corporate investors, real estate agents, property marketing companies and professionals from all over India. Through the show, the participants can create brand awareness and exposure in the fast growing Indian market for international real estate. The show is held once a year in New Delhi and Mumbai. For further information, please visit www.irexindia.com.

About Knight Frank

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In India, Knight Frank is headquartered in Mumbai and has more than 1,000 experts across Bangalore, Delhi, Pune, Hyderabad, Chennai, Kolkata and Ahmedabad. Backed by strong research and analytics, our experts offer a comprehensive range of real estate services across advisory, valuation and consulting, transactions (residential, commercial, retail, hospitality, land & capitals), facilities management and project management. For more information, visit www.knightfrank.co.in.

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