LOOKING BEYOND BORDERS

A look into the buying behavior of resident Indians into residential properties overseas
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<td>Sri Lanka</td>
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<td></td>
<td>United Arab Emirates</td>
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<td></td>
<td>United Kingdom</td>
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<td><strong>Note:</strong> Countries in alphabetic order</td>
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Connecting People & Property, Perfectly.
NOT so long ago owning property in a foreign land was considered largely aspirational. For most Indians it was a dream and there were only a lucky few, well-heeled individuals who had the resources to buy a house in a foreign land. Even today, buying a house on foreign shores does have a certain amount of aspirational value attached to it. What has, however, changed over the years is the fact that the government through policies, like the Liberalised Remittance Scheme (LRS), has made it easier for individuals to buy a property abroad. Also, what has changed is that while the well-heeled continue to invest in real estate in overseas locations, the average Indian too has started to look overseas.

THE FIRST FILTER

Before getting into the details about this study, it is important to understand the assumptions that were made before starting the exercise. The aim of this study is to get an idea about the buying behavior of resident Indians with regard to real estate in overseas locations. While there is more than enough literature that speak about locations where ultra-high net worth individuals (UHNWIs), among resident Indians, either invest or prefer to invest, the same is not the case in the matter of where resident Indians from the other sections of society invest in real estate in overseas locations.

In short, this study focuses on the mainstream housing in foreign locations in which resident Indians typically invest. It has come out very clearly from our survey results that majority of the resident Indians have a budget up to USD 1.5 million.

The objective of the study was to gauge the factors that attract resident Indian buyers to buy property in overseas markets, why they buy property in overseas markets and to get an idea of the preferred property size and budget for property purchase.

HOW WE DID IT

The study has been conducted at two levels—primary and secondary research. The primary research involved interaction, through a structured questionnaire, with developers and major real estate agents, across countries who market their projects among resident Indians. The secondary research largely focused on the data pertaining to LRS, exchange rate and property price movements in various countries. It has also delved into the associated cost of holding the property in these select countries and evaluated the net impact on the investor who has invested in a property five years ago and also for the potential investor today.

The survey findings are covered at two levels

a) Overall findings taking into account 10 countries (Australia, Sri Lanka, United Arab Emirates, Malaysia, Cyprus, Mauritius, Thailand, USA, Philippines and United Kingdom) cumulatively

b) The six countries (Australia, Sri Lanka, United Arab Emirates, Malaysia, Cyprus and United Kingdom) for which resident Indian buyers showed maximum interest.

“The clampdown in the US Federal Reserve’s bond purchases in 2013 led to significant depreciation in the value of the Indian Rupee, which led the Reserve Bank of India (RBI) to cut down the limit for the Liberalised Remittances Scheme (LRS) from USD 200,000 to USD 75,000 and banned the use of LRS for acquisition of immovable property outside India”
THE MACRO INDICATORS HELPING AN OVERSEAS PROPERTY PURCHASE DECISION

CHAPTER 2

THE FINANCING WINDOW OF THE LIBERALISED REMITTANCE SCHEME

Indian laws permit unrestricted/full current account convertibility but do not permit unrestricted capital account convertibility. Hence, the amount of money that can be remitted out of India in a financial year is subject to restrictions (limits) under the “Liberalised Remittance Scheme” (LRS). These limits have been revised periodically by the Reserve Bank of India (RBI).

As per the latest norms, USD 250,000 can be remitted per person per financial year after filling the LRS form. A family of four can transfer upto USD 1 mn per financial year through LRS. As per our survey**, majority of resident Indians are keen to invest into properties with ticket size up to USD 1.5 mn; hence, it would take them more than one financial year for sending money out of the country through LRS for the acquisition of the property.

Note **Results from the survey conducted amongst developers and real estate agents located in 10 countries, dealing with resident Indians seeking to acquire properties abroad.

CHANGES IN LRS THRESHOLD LIMIT OVER THE YEARS

<table>
<thead>
<tr>
<th>LRS window limit (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb-04</td>
</tr>
<tr>
<td>Dec-06</td>
</tr>
<tr>
<td>May-07</td>
</tr>
<tr>
<td>Sep-07</td>
</tr>
<tr>
<td>Aug-13</td>
</tr>
<tr>
<td>Jun-14</td>
</tr>
<tr>
<td>May-16</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India, Knight Frank Research

- In 2013, the clamp down in the US Fed’s bond purchases led to significant deprecation in the value of the rupee.
- To stem the slide in the currency, the RBI slashed the LRS limit from USD 200,000 to USD 75,000 in August 2013 and banned the use of LRS for acquisition of immovable property outside India, directly or indirectly.
- This curb on acquisition of immovable property was subsequently removed in June 2014 and the LRS limit was raised to USD 125,000 from USD 75,000.

OUTWARD REMITTANCES UNDER THE LRS (USD mn)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>73</td>
<td>441</td>
<td>689</td>
<td>963</td>
<td>1964</td>
<td>1092</td>
<td>1268</td>
<td>1084</td>
<td>1326</td>
<td>4452</td>
<td>877</td>
<td>622</td>
</tr>
</tbody>
</table>

Note* Till Aug 2017
Source: Reserve Bank of India, Knight Frank Research
Despite the outflow reducing in percentage terms, the quantum of money spent through LRS for acquisition of property has soared by almost 59 folds from USD 1.9 mn in 2005-06 to USD 111.9 mn in 2016-17. The returns do not include rental yields. Local currency is 1 unit of the currency of that country, for e.g. GBP 1 = INR 84.2 as of end of Q2, 2017 (calendar year). Note: Local currency is 1 unit of the currency of that country, for e.g. GBP 1 = INR 84.2 as of end of Q2, 2017 (calendar year). The returns do not include rental yields.

INVESTMENT IN IMMOVABLE PROPERTY

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchase of immovable property (USD mn)</th>
<th>Property investment as a % of LRS outflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>19</td>
<td>1%</td>
</tr>
<tr>
<td>2006-07</td>
<td>85</td>
<td>1%</td>
</tr>
<tr>
<td>2007-08</td>
<td>365</td>
<td>1%</td>
</tr>
<tr>
<td>2008-09</td>
<td>363</td>
<td>1%</td>
</tr>
<tr>
<td>2009-10</td>
<td>476</td>
<td>1%</td>
</tr>
<tr>
<td>2010-11</td>
<td>66.3</td>
<td>1%</td>
</tr>
<tr>
<td>2011-12</td>
<td>84.3</td>
<td>1%</td>
</tr>
<tr>
<td>2012-13</td>
<td>77.7</td>
<td>1%</td>
</tr>
<tr>
<td>2013-14</td>
<td>58.9</td>
<td>1%</td>
</tr>
<tr>
<td>2014-15</td>
<td>45.4</td>
<td>1%</td>
</tr>
<tr>
<td>2015-16</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>2016-17</td>
<td>119</td>
<td>1%</td>
</tr>
</tbody>
</table>

Note: **Till Aug 2017**
Source: Reserve Bank of India, Knight Frank Research

PROPERTY PRICE AND CURRENCY MOVEMENT IN SELECT MARKETS FOR RESIDENT INDIAN BUYERS

**A. INVESTOR INVESTING IN A PROPERTY 5 YEARS AGO**

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment milestones</th>
<th>Exchange rate Local currency vs INR</th>
<th>Property price change over 5 years</th>
<th>Net impact of property prices and exchange rates for an investor who invested 5 years ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUSTRALIA</td>
<td>Entry: Q2, 2012</td>
<td>54.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exit: Q2, 2017</td>
<td>49.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gain/(Loss)</td>
<td>(8.5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Summary:</td>
<td>Loss due to appreciation in INR against their local currency</td>
<td>Gain due to appreciation in property prices</td>
<td></td>
</tr>
<tr>
<td>CYPRUS</td>
<td>Entry: Q2, 2012</td>
<td>77.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exit: Q2, 2017</td>
<td>73.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gain/(Loss)</td>
<td>(4.7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Summary:</td>
<td>Loss due to appreciation in INR against their local currency</td>
<td>Loss due to decline in property prices</td>
<td></td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>Entry: Q2, 2012</td>
<td>18.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exit: Q2, 2017</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gain/(Loss)</td>
<td>(20.2%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Summary:</td>
<td>Loss due to appreciation in INR against their local currency</td>
<td>Gain due to appreciation in property prices</td>
<td></td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Entry: Q2, 2012</td>
<td>90.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exit: Q2, 2017</td>
<td>84.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gain/(Loss)</td>
<td>(7.0%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Summary:</td>
<td>Loss due to appreciation in INR against their local currency</td>
<td>Gain due to appreciation in property prices</td>
<td></td>
</tr>
<tr>
<td>DUBAI (UAE)</td>
<td>Entry: Q2, 2012</td>
<td>16.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exit: Q2, 2017</td>
<td>17.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gain/(Loss)</td>
<td>8.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Summary:</td>
<td>Gain due to depreciation in INR against their local currency</td>
<td>Gain due to appreciation in property prices</td>
<td></td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, www.xe.com

Notes:
- **Entry**: Q2, 2012
- **Exit**: Q2, 2017
- **Gain/(Loss)**: Percentage change in property price over 5 years
- **Summary**: Effect of appreciation or depreciation in INR against the local currency on property prices
- **Returns**: Calculated as the difference between the entry and exit property prices, expressed as a percentage of the entry price

The table above shows the property price and currency movement in select markets for resident Indian buyers over a 5-year period. It includes the entry and exit property prices, the gain or loss, and the returns calculated as the percentage change in property prices over 5 years. The table also indicates the net impact of property prices and exchange rates for an investor who invested 5 years ago.
The table (investor investing in a property 5 years ago) represents the returns before tax, which would accrue to an investor who had invested in property abroad in the select country. The returns are considered over a five-year period and are computed based on the assumption that the investor had purchased a property in these countries at the end of Q2, 2012 and sold it at the end of Q2, 2017. The investor’s returns would be based on 2 parameters – fluctuation in the currency exchange rates and appreciation or decline in the price of property. The net impact of the changes in those 2 parameters would be his/her final return as indicated in the last column.

E.g. An investor investing in a property in Australia would lose 8.5% on exchange rate basis due to appreciation of the INR against AUD; however, he/she would also stand to benefit due to increase in prices of property by 51.6%. Hence, considering the combined impact of changes in exchange rate and change in price of property, the net return from the investment (before taxes) in the five-year period would be 38.7%.

HIGHLIGHTS

- Except for Cyprus, investors would have gained from their investments in most of the above-mentioned countries.
- Australia had the maximum appreciation in property prices of 51.6% in the period, followed by Malaysia at 43.8%.
- Investors who had invested in Dubai have benefitted the highest with an overall return of 49.3%, followed by Australia at 38.7%. Dubai offered dual returns, INR depreciated versus their local currency AED and the property prices appreciated in Dubai over 5 years.
- Despite the strengthening of the INR against the currencies of Australia, Malaysia and the United Kingdom, the impact of appreciation of property prices outweighed the impact of currency appreciation.
- The investors lost money in Cyprus on account of the decline in property prices accompanied with appreciation of the INR.

### B. INVESTMENT RATIONALE FOR AN INVESTOR INVESTING TODAY

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Exchange rate Local currency vs INR</th>
<th>Property price change</th>
<th>Net impact of property prices and exchange rates for an investor investing today vs investing 1 year ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUSTRALIA</td>
<td>Q2, 2016</td>
<td>50.38</td>
<td>1.4%</td>
<td>Expensive by 11.0%</td>
</tr>
<tr>
<td></td>
<td>Q2, 2017</td>
<td>49.69</td>
<td>12.5%</td>
<td>Summary: Benefit due to appreciation in INR against their local currency</td>
</tr>
<tr>
<td></td>
<td>Change</td>
<td></td>
<td></td>
<td>Appreciation in property prices</td>
</tr>
<tr>
<td>CYPRUS</td>
<td>Q2, 2016</td>
<td>74.84</td>
<td>1.4%</td>
<td>Cheaper by 0.3%</td>
</tr>
<tr>
<td></td>
<td>Q2, 2017</td>
<td>73.82</td>
<td>1.0%</td>
<td>Summary: Benefit due to appreciation in INR against their local currency</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>Q2, 2016</td>
<td>16.84</td>
<td>10.7%</td>
<td>Cheaper by 7.5%</td>
</tr>
<tr>
<td></td>
<td>Q2, 2017</td>
<td>15.04</td>
<td>3.5%</td>
<td>Summary: Benefit due to appreciation in INR against their local currency</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Q2, 2016</td>
<td>89.13</td>
<td>5.5%</td>
<td>Cheaper by 3.3%</td>
</tr>
<tr>
<td></td>
<td>Q2, 2017</td>
<td>84.19</td>
<td>2.4%</td>
<td>Summary: Benefit due to appreciation in INR against their local currency</td>
</tr>
<tr>
<td>DUBAI (UAE)</td>
<td>Q2, 2016</td>
<td>18.28</td>
<td>3.8%</td>
<td>Cheaper by 4.2%</td>
</tr>
<tr>
<td></td>
<td>Q2, 2017</td>
<td>17.59</td>
<td>(0.4%)</td>
<td>Summary: Benefit due to appreciation in INR against their local currency</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research, www.xe.com

Note: Local currency is 1 unit of the currency of that country, for e.g. GBP 1 = INR 84.3 as of end of Q2, 2017 (calendar year).

The returns do not include rental yields.
Looking beyond borders

The table (investment rationale for an investor investing today) represents a perspective on the investment position for a potential investor as of end of Q2, 2017 compared to a year earlier, i.e. Q2, 2016. Any rise in price of the property impacts the investor adversely and vice-versa. Any appreciation in the value of INR against the local currency of that country is beneficial to the investor and vice-versa.

E.g. An investor investing in Australia today compared to a year ago, would find investing in property cheaper on a purely exchange rate basis, due to 1.4% appreciation in the value of INR against AUD. However, on the property price basis, he/she would be on the losing side as he/she would have to pay more for the assets, due to 12.5% appreciation in prices of property. The last column gives us a combined impact of the exchange rate movement and property price movement over the past year. Hence, the investor investing in a property in Australia, today, would effectively have to pay 11% more as compared to investing a year earlier.

HIGHLIGHTS

- On purely exchange rate basis, for resident Indians investing in property abroad, it is cheaper now due to strengthening of the INR against several global currencies.

- The INR has strengthened against the local currencies of all the above countries that we have considered.

- For investors investing in the United Kingdom, Cyprus, Malaysia and Dubai, it is cheaper now (as of end of Q2, 2017) to invest in a property compared to a year earlier. This is despite the fact that, property prices have appreciated in Cyprus, the UK and Malaysia in the period under consideration.

- Investing in properties in Malaysia is the cheapest amongst the above countries, followed by Dubai.

- Only Dubai witnessed marginal decline in property price amongst the countries that we have considered for our analysis. However, the properties in Dubai are relatively cheaper now due to appreciation in the INR against AED.

- In Australia, the quantum of increase in property prices has surpassed the strengthening of INR. Hence, investing in property in Australia is expensive now compared to a year ago. The investor would have to pay an additional 11%.

C. IS THE TIME RIPE TO INVEST IN GLOBAL PROPERTIES?

India has become one of the major destinations for global fund flow. The foreign exchange reserves have grown exponentially over the past five years and have reached a record USD 400 bn. Thus, amongst all the emerging markets, the Indian rupee has performed the best over the past year; appreciating against majority of global currencies.

While on the other side, currencies of other emerging markets have depreciated against global currencies in the same period. This has rendered Indian exports uncompetitive. As a result, the growth in Indian exports has derailed. It is impossible for the Indian economy to achieve the pace of growth India had in the first decade of the 2000s without growth in exports.

Falling of exports due to the strengthening of INR has become one of the major causes of concern for the policy makers within the Government of India and the Reserve Bank of India (RBI). We believe that the RBI and government would not allow the domestic currency to appreciate further and will try their best to contain it near the current rates. The amount by which the INR has appreciated in the past year is unlikely to repeat.

The domestic real estate market has been under pressure for quite some time now and we believe it is unlikely to appreciate much in the medium term. On the contrary, as we have indicated above, property prices in several countries abroad have appreciated significantly over the past 5 years; with property prices in some countries like Australia appreciating as much as 51.6% over the past 5 years followed by Dubai at 37.5%. With global growth retreating and inching slowly towards the pre-2008 levels, this appreciation in property prices is likely to continue.

In addition to this, the rental yields abroad are much higher than in India. The rental yields in countries like the UAE, particularly in Dubai, are as high as 6-7% per annum compared to the rental yields of 1.5-2.5% per annum in India. Hence, with the combination of all of the above - the strengthened INR, prospects of higher rental yield and potential for further appreciation in prices of properties abroad, we suggest that it is an opportune time for resident Indian investors to consider investing in real estate assets abroad as a part of their investment portfolio.

D. ASSOCIATED COSTS FOR SELECT MARKETS

In addition, we have evaluated the costs of investing in property in select markets, post a comprehensive overview of tax and non-tax costs. This analysis is heavily drawn from Knight Frank’s Global Tax Report 2017. We have looked at costs accrued when purchasing a property valued USD 1 mn. For the investment proposal, the assumption is that the property is held for a five-year period before disposal and leased in the interim. An investor should make a note of the approximate cost he/she is likely to incur while purchasing, holding and selling of property.

Source: Knight Frank GLOBAL TAX REPORT, 2017

The table (below) gives us a comprehensive overview of tax and non-tax costs. This analysis is highly based on Knight Frank’s Global Tax Report 2017. We have looked at costs accrued when purchasing a property valued USD 1 mn. For the investment proposal, the assumption is that the property is held for a five-year period before disposal and leased in the interim. An investor should make a note of the approximate cost he/she is likely to incur while purchasing, holding and selling of property.
WHAT ASSUMPTIONS HAVE BEEN MADE?

- An individual acquires a residential property on 1 September 2016 for USD 1 mn in a foreign country.
- The property is purchased in the investor’s personal name.
- The individual is not a citizen, is non-domiciled, is not a tax resident and does not intend to become a tax resident of the country where the property is located.
- The individual may spend some time in a country where the property is located in each tax year, but does not reside, set up a home or otherwise establish tax residence in the country where the property is located.
- The individual pays tax at the top marginal rate and is not entitled to any personal allowances.
- Tax rules and tax rates throughout the period of ownership are assumed to be the same as on 1 September 2016.
- The effect of tax treaties is not considered.
- The purchase price is 100% cash financed by the individual.
- Calculations are made in local currencies and the exchange rate throughout is assumed to be as at 1 September 2016.
- The impact of fluctuations in exchange rates is not considered.
- For investment locations the property is rented out on the open market to an unconnected person. For second home locations, the property is not rented out at any point.
- Taxes reflect the percentage of year five sales price only (for investment property —excluding rental income).
- The property is sold on or shortly after 2 September 2021, i.e. after five full years of property ownership.
- The property is not a new development unless otherwise stated.
- No refurbishment costs are incurred and no capital improvements are made.
- Tax consequences in the home jurisdiction(s) of the purchaser must be considered separately.
- This report does not cover VAT/GST, inheritance/estate/gift taxes.
- Detailed and bespoke tax and legal advice must be obtained in each case.

PERFORMANCE

- Capital growth of 5% per annum, rental growth of 3% per annum, year one gross yield of 4%.

COSTS

- To facilitate tax calculations, non-tax costs (for example, legal fees, agency fees and other non-tax fees) were collected for each location.
- For rental income assume no deductions are made, except management costs, unless otherwise stated.

THE INVESTMENT AND TAXES

Source: Knight Frank GLOBAL TAX REPORT 2017

- In Dubai, the tax costs are the lowest, but the overall cost (including tax and non-tax cost) is the lowest in Malaysia while investing in a property.
- Malaysia has higher tax costs compared to Dubai but lower non-tax costs.
- There are talks amongst the policy makers in Dubai to increase the taxes in the country. Hence, an investor must wait for clarity on the tax issues before making his/her decision.

“Policy makers in Dubai are in talks to hike taxes. Hence, an investor must wait for clarity on the tax issues before making his/her decision.”

- An investor investing in Australia would incur a total cost of 32.9% on his property investment on account of higher tax and non-tax costs. Australia had the highest tax incidence and overall cost amongst the countries that we have considered.

INDIANS HAVE ALWAYS BEEN INTERESTED IN OVERSEAS REAL ESTATE. BE IT FOR INVESTMENT OR PERSONAL CONSUMPTION, THE FOREIGN SHORES REMAIN ASPIRATIONAL FOR THE INDIAN BUYER. THE WANT FOR A UPGRADE IN LIFESTYLE, BETTER INFRASTRUCTURE OR AN GOOD RETURN ON INVESTMENTS ARE SOME OF THE MAJOR FACTORS FOR INDIANS BUYING REAL ESTATE ABROAD. WITH THIS BACKDROP, WE HAVE EXPLORED THE FINER DETAILS OF THE BUYING PREFERENCES OF RESIDENT INDIANS. BELOW IS THE CUMULATIVE ANALYSIS OF 10 COUNTRIES THAT WERE COVERED IN THE SURVEY.
The share of queries received from India has increased from 11% in 2015 to 15% in 2017.

The slow-moving domestic real estate market has pushed the resident Indian buyer to seek overseas shores. The real estate market in India is currently undergoing a sea change with various policy initiatives redefining the business. Along with this, the property prices in the Indian metros have reached a high level, which offer minimal upside growth potential. All these factors combined have forced Indian buyers to countries like the United Arab Emirates (UAE), Sri Lanka, Malaysia, the United Kingdom and Australia.

In terms of sales, the percentage share from Indian buyers in the countries under study, have been holding steady in the last two years, signifying the continued interest from Indians buying abroad.

Majority of the resident Indians who are looking at buying properties abroad are businessmen/industrialists and self-employed/traders. According to the countries under study, 68% of the buyers who invest in overseas properties are businessmen/industrialists followed by self-employed/traders.

These specific segments have overseas touch points in terms of either an operating business, children studying or planning to study abroad or the interest is propelled by future plans to settle overseas.

Better lifestyle is the most important factor which makes foreign shores attractive to resident Indians. However, factors like transparent and cleaner real estate market, safety & security and better infrastructure are also important influencers.

Today, the consumer knowledge has grown enormously and the Indians buying abroad are doing so with more information and caution than ever. Overall, the survey suggests that majority of Indians buy a property abroad for investment purposes, which is closely followed by the aspiration of having a second home. This would include countries like Australia, Sri Lanka, United Arab Emirates and Cyprus.

This trend owes much to the fact that properties abroad have become more affordable for the Indian buyers because the Indian rupee has strengthened compared to currencies of other countries, like the United Kingdom, Australia, Malaysia, Cyprus and the United Arab Emirates, in the last one year. Furthermore, the risks attached to aspects like title clearances, on-time delivery and quality of construction are much lower overseas than in the domestic market.

Additionally, government policies like the Liberalised Remittance Scheme (LRS) that facilitates Indians to transfer money abroad to purchase property have all added to the attractiveness of the overseas market.

While the United Kingdom attracts buyers, into property, for children’s education countries like United Arab Emirates attract buyers for quality infrastructure.
• There is a clear preference of the Indian buyer for a more compact size when looking for a property abroad. Sixty-eight percent of the Indian buyers preferred apartments when buying abroad. This clearly corroborates with the preference for less than 1,500 sq ft as the most preferred property size.

• On the other hand, 20% of the buyer preference is for a villa, which is a comprehensible reason, since countries such as Cyprus and Sri Lanka are seen more as second home options and holiday destinations.

Approximately 77% of the Indian buyers prefer a property that is less than USD 1 million.

While majority of the resident Indians prefer to buy a house costing less than USD 1 million, on foreign shores, there is a small proportion of Indian buyers who are willing to pay more for a house in a foreign country. As per our survey, 1 out 4 resident Indians prefer to spend more than USD 1 million for a house overseas.

Indian investing in overseas properties are businessmen or industrialists followed by self-employed professionals and traders.

“Despite the strengthening of the INR against the currencies of Australia, Malaysia and the United Kingdom, the impact of appreciation of property prices outweighed the impact of currency appreciation.”

Source: Knight Frank Research, IREX
A good appetite for residential real estate and conducive environment have opened up new opportunities for the globetrotting Indian. It is interesting to see the nuances of the Indian buyer preference and how they change from one country to another. With this background, let us delve into the details of where the Indian buyer is buying homes outside of his/her own country and what are the factors that influence his/her buying decision. Of the 10 countries that were covered in the survey, resident Indian buyers showed the maximum interest in the following six countries. Buyer preferences in these six countries are covered in much greater detail.
Indians form the second largest group of migrants in Australia after people of Chinese origin.

Australia is home to some of the most livable global cities and Melbourne ranked as the world’s most livable city by the Economist Intelligence Unit (EIU) for the sixth consecutive year in 2016.

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% of resident Indians showed preference for property more than 2,000 sq ft in contrast to overall penchant for compact homes.

37% of Indians are keen to pay more than USD 1 million for buying a property in Australia.
WHAT MAKES THE KANGAROO COUNTRY ATTRACTIVE

**ATTRACTIVENESS QUOTIENT**

<table>
<thead>
<tr>
<th>Country</th>
<th>Rating</th>
<th>Attractions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Easy operations and on-time delivery</strong></td>
<td>4.7</td>
<td>Easy operations and on-time delivery score the highest on the attractiveness scale in Australia, closely followed by better infrastructure and lifestyle shift.</td>
</tr>
<tr>
<td><strong>The attractiveness of Australia to Indians is evident from the fact that according to The Australian Bureau of Statistics (ABS), Indians form the second largest group of migrants in Australia after people of Chinese origin.</strong></td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td><strong>Australia has some of the most livable cities in the world and Melbourne has been ranked as the world’s most livable city by the Economist Intelligence Unit (EIU) for the sixth consecutive year in 2016.</strong></td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td><strong>The Australian education system is one of the best in the world and our survey results substantiate this fact. Children’s education has been cited as the most prominent reason for buying a house in Australia.</strong></td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td><strong>The Australian education system is backed by strong legislations that safeguard and promote quality education for foreign students.</strong></td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td><strong>The second highest preferred reason for buying a house in Australia is for investment purposes. This can be corroborated with the fact that Sydney and Melbourne, the two most sought after cities in Australia, are supported by solid income growth that has helped the investor make good returns on investment.</strong></td>
<td>4.3</td>
<td></td>
</tr>
</tbody>
</table>

**QUALITY EDUCATION TOPS THE TABLE**

- The Australian education system is one of the best in the world and our survey results substantiate this fact. Children's education has been cited as the most prominent reason for buying a house in Australia.
- The Australian education system is backed by strong legislations that safeguard and promote quality education for foreign students.
- The second highest preferred reason for buying a house in Australia is for investment purposes. This can be corroborated with the fact that Sydney and Melbourne, the two most sought after cities in Australia, are supported by solid income growth that has helped the investor make good returns on investment.

**WHY DO INDIANS BUY IN AUSTRALIA?**

- **Self-Consumption**
  - **Rating**: 3.3
  - **Score**: 4.0
  - Of resident Indians showed preference for property more than 2,000 sq ft in contrast to overall penchant for compact homes

- **Second Home**
  - **Rating**: 3.5
  - **Score**: 4.7

- **Children’s Education**
  - **Rating**: 4.7
  - **Score**: 4.3

- **Investment**
  - **Rating**: 4.3
  - **Score**: 4.0

**PREFERENCE FOR BIGGER SIZE**

**MOST PREFERRED PROPERTY SIZE**

<table>
<thead>
<tr>
<th>Size Range</th>
<th>% Share</th>
<th>Source: Knight Frank Research, IREX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1500</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>1,500-2,000</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>2,000-2,500</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Above 3,000</td>
<td>32</td>
<td></td>
</tr>
</tbody>
</table>

**MORE PRICE FOR MORE SPACE**

**MOST PREFERRED TICKET SIZE**

<table>
<thead>
<tr>
<th>Ticket Size</th>
<th>% Share</th>
<th>Source: Knight Frank Research, IREX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 0.5 MN</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>0.5-1 MN</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>1-1.5 MN</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Above 1.5 MN</td>
<td>12</td>
<td></td>
</tr>
</tbody>
</table>

- The survey findings are a bit different in Australia, with regards the size of the property from the overall findings. Of the 10 countries surveyed, majority of resident Indians showed a preference for properties that are less than 1,500 sq ft. In case of Australia, 50% of resident Indians showed preference for property more than 2,000 sq ft.
- Corroborating this fact, 37% of resident Indians are keen to pay more than USD 1 million for buying a property in Australia. This proportion is quite low for other countries that have been covered in this survey.
Cyprus is an island country in the Eastern Mediterranean Sea and is the third most populous island in the Mediterranean region. It is a favourite tourist destination with pristine beaches and crystal clear Mediterranean waters. The island country has attracted the Indian buyers because of its ease to gain a permanent residency. Investments in real estate are an easy route to get citizenship in Cyprus. This citizenship grants the person the right to live, work, study and invest in all 28 European Union member countries.

USD 2.3 million is the minimum investment required to get a citizenship in Cyprus. 67% of Indians 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 resident Indians are willing to pay less than 0.5 million USD to buy a property in Cyprus.
Cyprus is an island country in the Eastern Mediterranean Sea and is the third most populous island in the Mediterranean region. Cyprus is a favourite tourist destination with pristine beaches and crystal clear Mediterranean waters.

The island country has attracted the Indian buyer because of its ease to gain a permanent residency.

Under the Cypriot government’s citizenship programme, one can get a Cyprus citizenship by investing in real estate and meeting certain other requirements. This citizenship grants the person the right to live, work, study and invest in all 28 European Union member countries. The minimum investment required to be made for citizenship is USD 2.3 million.

However, with an investment of USD 0.3 million, one can get a permanent residency in Cyprus.

For most Indians, investment is the prime reason for buying real estate in Cyprus, the need for a second home comes a close second.

Additionally, the country has an advanced, high-income economy with a very high Human Development Index.

The preference of the Indian buyers in Cyprus is in line with the findings of the overall analysis of all countries, covered in this study. Sixty-seven percent of the resident Indian buyers prefer a property size less than 1,500 sq ft, in Cyprus.

Some of prominent cities that the Indian buyer shows interest in Cyprus are Limassol, Paphos, Larnaca, Paralimni and Nicosia.

A sizeable proportion of the resident Indian buyers prefer a property less than USD 0.5 million. Fifty-six percent of resident Indians are willing to pay less than 0.5 million USD to buy a property in Cyprus.

On the other hand, 42% of the Indian buyers are willing to invest up to USD 1.5 million to buy a property in Cyprus. This coincides with the Cyprus government’s ‘Citizenship by Investment’ scheme that provides permanent residency, to individuals, by investing up to Euros 2 million, in a property.

67% of Indians prefer a property size less than 1,500 sq ft, in Cyprus.

Source: Knight Frank Research, IREX
The World Bank lists Malaysia among the top 25 countries for ease of doing business.

Malaysia is one of the wealthiest and most developed countries, outranked in Gross National Product (GNP) only by Singapore and the oil-rich Brunei.

It is easy to settle in Malaysia. Malaysia My Second Home an international residency scheme allows foreigners to live in the country on a long-stay visa of up to 10 years.

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

Kuala Lumpur is the most preferred city in Malaysia for the Indian buyer. High residential prices in Kuala Lumpur have pushed developers to make smaller apartments which are also preferred by the expat community.

Major economic activities

Was the largest producer of tin, rubber and palm oil in the world. Presently manufacturing accounts for over 40% of the GDP.
Malaysia attracts the Indian buyer because of its high quality of life; the option to get permanent residency in the country is a close second.

According to The World Bank, Malaysia falls in the top 25 countries, in its ease of doing business study. It is largely because of this factor that, in southeast Asia, Malaysia is one of the wealthiest and most developed countries, outranked in Gross National Product (GNP) only by Singapore and oil-rich Brunei.

Under the “Malaysia My Second Home” (MM2H), the Government of Malaysia offers an international residency scheme which allows foreigners to live in the country on a long-stay visa of up to 10 years. Programmes like MM2H make it relatively easy to settle in the country. Long-term visa gained under this programme can be renewed multiple times.

The survey findings attest the success of MM2H. It is evident from the survey findings that most resident Indians want to buy real estate in Malaysia to use it as a second home. The ease of doing business in the country is the most likely reason for planning to use their real estate purchase in Malaysia for investment.

There is, however, a very small percentage of resident Indians who prefer housing units in excess of 2,000 sq ft, in Malaysia.

In a departure from the overall findings, 53% of resident Indians prefer a ticket size between USD 1–1.5 mn in Malaysia.

The deviation in the preference of ticket size arises from the fact that the most preferred city in Malaysia, for the Indian buyer, is Kuala Lumpur. This is the financial and cultural centre of Malaysia and is home to silent bungalows and skyscrapers and hence, the majority of the property prices here go up to USD 1.5 million.
Interest of resident Indians for properties in Sri Lanka picked up after the government relaxed the restrictions on foreigners owning property in the island in 2016. 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% or two thirds of resident Indians prefer property size up to 2,000 sq ft in Sri Lanka.

64% Indians are willing to pay less than USD 1 million in Sri Lanka.

1 out of every 3 resident Indian buyers is willing to spend more than USD 1 million for a house in Sri Lanka.

A five bedroom beach-front house in Galle will cost approximately less than USD 0.5 million, an unthinkable price for a similar property in India.
The resident Indian property buyers have turned an eye toward this Emerald Island after the unrest in Sri Lanka has become a thing of the past.

The interest of property buyers has also increased after the Sri Lankan government, in 2016, relaxed the restrictions on foreigners owning property in Sri Lanka. The survey reveals that cultural similarity is ranked highest on the attractiveness scale in Sri Lanka followed by better infrastructure and a comfortable life.

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. These reasons well substantiate the above results where cultural similarity has been cited as the most attractive aspect for Indians to buy abroad.

Majority of resident Indians prefer property size up to 2,000 sq ft in Sri Lanka.

However, it is not to be ignored that even though there is a clear preference for compact houses, one third of resident Indians also prefer properties more than 2,000 sq ft.

According to the survey, 64% of resident Indians, who wish to buy a house in Sri Lanka, are willing to pay less than USD 1 million in Sri Lanka. This survey finding is in line with the overall country analysis as well.

However, it is interesting to note that 36% of the resident Indians prefer to spend above USD 1 million. In other words 1 out of every 3 resident Indian buyers is willing to spend more than USD 1 million for a house in Sri Lanka.

For instance, a five bedroom beach-front house in Galle will cost approximately less than USD 0.5 million, whereas investment in India for a similar house will involve more money.
Indians are the most prominent expat community in the UAE owning small to large businesses and holding key positions in large companies.

Dubai’s proximity to India is another factor that makes it a favourite destination among resident Indian buyers. Bollywood theme parks and places such as Al Karama and Bur Dubai are reflections of India on Dubai.

67% of Indians prefer an apartment size of less than 1,500 sq ft in Dubai.

80% of Indians prefer a compact property costing less than USD 1 million.

A two-bedroom apartment in the 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.

Major economic activities
Second largest economy in the Arab world after Saudi Arabia which is based on oil. Over the years non oil economy is posting steady growth.
LOOKING BEYOND BORDERS

EMIRATES ENTICES THROUGH LIFESTYLE SHIFT

**ATTRACTION QUOTIENT**

- UAE, Dubai in particular, has been one of the favorite destinations among Indians. As per the survey, search for a better lifestyle is one of the major factors that have been attracting resident Indians to the UAE. In addition to that, better infrastructure and amenities comes a close second.
- Indians form the majority of the expat population in the UAE and are the most prominent expat community, owning small to large businesses and holding key positions in large companies.
- Dubai’s proximity to India is another factor that makes it a favourite destination among resident Indian buyers. The Bollywood theme parks, and places such as Al Karama and Bur Dubai are examples of the impact the Indian community has made in Dubai.

STEADY MARKET LURES INVESTMENT

- While lifestyle shift is one of the reasons attracting Indians to the UAE, when it comes to buying a property in the UAE, most Indians prefer doing it for investment.
- Other than relatively transparent transaction process, resident Indians who have invested five years back have got substantial returns due to favorable exchange rate movements, appreciation in asset prices and higher rental yields.

WHY DO INDIANS BUY IN THE UNITED ARAB EMIRATES?

![Diagram showing reasons for buying in UAE](image1)

- **Self-Consumption**
- **Children’s Education**
- **Second Home**
- **Investment**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Consumption</td>
<td>3.9</td>
</tr>
<tr>
<td>Children’s Education</td>
<td>3.2</td>
</tr>
<tr>
<td>Second Home</td>
<td>3.9</td>
</tr>
<tr>
<td>Investment</td>
<td>4.6</td>
</tr>
</tbody>
</table>

- *Rating scale of 1 to 5 (1 being the least important and 5 is the most important)*

APARTMENTS ARE MUCH IN PREFERENCE

- Clearly, the Indian buyer prefers to invest in a compact property in Dubai. Sixty-seven percent of resident Indians prefer an apartment size of less than 1,500 sq ft in Dubai.
- There is, however, a small percentage (13%) of Indian buyers who prefer much larger housing units, in excess of 2,000 sq ft.

![Bar chart showing preferred property size](image2)

CAUTIOUS INVESTING

- Eighty percent of the resident Indian buyers prefer a compact property costing less than USD1 million.
- A two bedroom apartment in the prime locations of Dubai, like Dubai Marina, Business Bay, Palm Jumeirah, command a ticket size of approximately USD 0.5-1.3 million. A property of similar size is certainly beyond that budget in the prime locations in a major metro in India.

![Circle chart showing preferred ticket size](image3)

**MOST PREFERRED PROPERTY SIZE**

- **Less than 1500 sq ft**: 67%
- **1,500-2,000 sq ft**: 19%
- **2,000-2,500 sq ft**: 6%
- **Above 3,000 sq ft**: 7%

**MOST PREFERRED TICKET SIZE**

- **LESS THAN 0.5 MN**: 59%
- **0.5-1MN**: 21%
- **1-1.5MN**: 10%
- **ABOVE 1.5MN**: 10%

- *Source: Knight Frank Research, IREX*
The United Kingdom has always been one of the most attractive overseas property destinations for the Indian buyer. Better infrastructure, quality education, easy operations, sound real estate regulations, safety and an overall uplift in the quality of life has wooed many Indian property buyers to the 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 Indians prefer compact homes in the 1,500 sq ft category.

89% of Indians prefer properties in the ticket size of less than USD 1 million.
The United Kingdom has always been one of the most attractive overseas property destinations for the Indian buyer.

Better infrastructure, quality education, easy operations and sound real estate regulations, safety and an overall uplift in the quality of life has wooed many Indian property buyers to the UK and the survey results bear testament to the ground reality.

Children’s education and use of property as a second home are the primary reasons why resident Indians buy a property in the UK. Use of the property as a second home comes next followed purchase for investment purposes.

Why do Indians buy in the United Kingdom?

- 4.2
- 4.8
- 4.8
- 3.6

Self-consumption  Second home  Children’s education  Investment

89% of Indians prefer properties in the ticket size of less than USD 1 million.

Most preferred property size (sq ft)

- Less than 1500: 79%
- 1,500-2,000: 21%
- 2,000-2,500: -%
- Above 3,000: -%

Most preferred ticket size (USD million)

- Less than 0.5 Mn
- 0.5-1 Mn
- 1-1.5 Mn
- Above 1.5 Mn

Very particular about the price

- The mainstream Indian buyer is very particular when purchasing a property in the UK. Eighty-nine percent of resident Indians prefer a property in the ticket size of less than USD 1 million.
- Real estate in the UK has become more attractive, to the resident Indian buyer, following devaluation of the GBP after Britain’s exit from the European Union and strengthening of the Indian rupee in the past one year.

Source: Knight Frank Research, IREX

* Rating scale of 1 to 5 (1 being the least attractive and 5 is the most attractive)
* Rating scale of 1 to 5 (1 being the least important and 5 is the most important)
This study has brought to light the buyer preferences of resident Indian buyers with regards to real estate in foreign countries. From the overall analysis of all the selected countries, there are some broad themes that have emerged. These include the following.

- As regards buyer profile of resident Indian buyers, businessmen/industrialists are the most dominant players.
- Investment is the primary reason why resident Indian buyers buy a house on foreign shores, closely followed by the need to have a second home.
- The resident Indian buyer shows a clear preference for apartments and that too for a housing unit that is less than 1,500 sq ft.
- There is a clear preference for properties less USD 1 million.

In most cases, survey findings for the six countries for which resident Indian buyers have shown maximum preference are largely in line with the overall findings of the survey. In some instances however, the buyer preference has toed a different line.

- Majority of the resident Indian buyers have shown a preference for the property in Australia that is more than 2,000 sq ft.
- While investment is the primary reason for resident Indians to buy a house in foreign locations, its use as a second home is the main reason for buying a house in Malaysia.
- In the case of Australia and the United Kingdom, children’s education is the primary reason for resident Indians to buy a house. Along with children’s education, a second home is the primary reason for buying a house in the United Kingdom.
- While a shift in lifestyle is the primary factor that attracts resident Indian buyers to foreign shores, the option to gain permanent residency tops the table in Cyprus.
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INTERNATIONAL REAL ESTATE EXPO (IREX)

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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.

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