

Election mandate not on expected lines

As we move deeper into the 2020-2030 decade, India is positioned to significantly enhance its share in the global economy. This period is expected to be a transformative one, supported by a stable government committed to a pro-reform agenda. However, the recent Lok Sabha elections have introduced some complexities.

The BJP's inability to secure an absolute majority, in contrast to exit poll's anticipation, raises concerns about the continuity of transformational policies and reforms. Although the NDA will form the government with Prime Minister Narendra Modi continuing in power, the narrower mandate may affect the pace at which reforms are implemented.

Despite these challenges, the overall outlook for India's economic growth remains positive. The stability provided by the continuation of the NDA government is crucial for sectors like real estate, where ongoing initiatives in infrastructure development, affordable housing, and business environment are expected to persist.

Impact on Real Estate

The residential real estate market is currently in the nascent stage of an upcycle, and we foresee robust growth in the coming years. The government is likely to introduce new schemes for affordable housing, including potential enhancements to the Pradhan Mantri Awas Yojana (PMAY) in the upcoming budget. These initiatives will significantly boost the affordable housing segment, catering to the growing demand for budget-friendly housing options.

Conversely, as equity markets adjust to the new political landscape, we anticipate a potential softening in the luxury and ultra-luxury segments of the residential real estate market. Investors may see a slower appreciation in property values in these high-end segment.

Time to revisit portfolio allocation

The formation of a coalition government may lead to some uncertainty in equity markets, prompting a favorable environment for portfolio adjustments. With interest rates peaking and early indications of potential interest rate cuts from Global Central Banks, investors might consider reallocating their portfolios to include a higher proportion of debt instruments to lock in high yields. Hence, in the current interest rate scenario, it is advisable to increase allocations in debt instruments. This tactical allocation will allow investors to lock in high yields and reduce exposure to equity market volatility.

The commercial real estate market is witnessing a strong recovery. The recovery in the commercial real estate sector presents a lucrative opportunity. Investing in rental-yielding commercial properties can offer attractive returns, driven by rent escalations and expected yield compression in the medium term. Investors can expect good returns from these assets, benefiting from both rental income and potential capital appreciation.

Concluding remarks

India's growth trajectory remains promising over the medium to long term. The continuation of power post-elections offers stability in policy formulation, crucial for sectors like real estate. Expect ongoing initiatives in infrastructure, affordable housing, and business facilitation to continue, with potential slowdowns primarily in luxury real estate segments.

Contact Information

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