

THE ELECTRIC VEHICLE BOOM

Relevant for: Indian Economy | Topic: Infrastructure: Roads

An electrical vehicle charging station in Kochi. Photo: H. Vibhu

The price appreciation for the residential asset class, post installing Electric Vehicle (EV) charging stations, is expected to be anywhere between 2% and 5% in newly constructed buildings and upwards of 1% in regular existing buildings.

According to JLL, the EV industry will grow at a CAGR upwards of 40% by 2030 given current government policies and massive EV adoption rate. This will surge the demand for EV charging stations in buildings, thereby driving the need for such spaces. It is expected that the installation of EV charging stations in existing buildings will go up drastically by 2026.

Impact on realty

Depending on the type of buildings, these retrofit projects will have a major impact on the pricing of residential asset classes and will also help in efficient utilisation of real estate. Currently, the owners are installing stations with support from service providers in residential areas.

In many other large-scale developments, residential associations have taken up the activity, installed these facilities, in turn earning from the users on a fixed fee model. However, going forward, all new residential planned developments will have at least 5% of parking lots reserved for a common charging facility. "There will be a premium of at least 1% for spaces in existing buildings retrofitted for charging points. This is due to the challenges pertaining to high installation costs of charging units for large residential complexes/multi-storey buildings and limited power supply capacity. Charging stations are IoT devices, so internet availability and connectivity should also be provided," says A Shankar, Head – Strategic Consulting and Valuation Advisory, India, JLL.

Whereas in the short term, in places where there is high demand or more than 60% of the residents own EVs, this premium can go up to 2%-5%, especially in new green residential complexes.

Shankar adds that this surge of EVs in India is due to an increased demand, the presence of government incentives and the fact that a considerable part of the population is moving towards a sustainable way of living. These factors, he says, will lead to economies of scale for the developers in the long run.

In the commercial segment

In office markets, landowners will either create this facility with a user fee, lease the land to a charging service provider, or earn through a regular revenue share model. However, the challenge being the non-availability of vacant parking lots. Few existing parking lots will be reserved for such requirements in offices too. Public EV charging hubs will also provide the maintaining and servicing requirements of the vehicles.

Parking lots at Metro stations and malls are also being promoted to tap this demand. Many petrol stations are also being added with these facilities. Either the public authority develops the charging infrastructure and leases it to an operator or leases the land to the service provider for a long term.

It is estimated that this is to create a huge demand for the space and location, trigger more real estate asset classes and ultimately command premium over spaces which do not provide such facilities.

Government-led initiatives

With an aim to prioritise a shift towards e-mobility, the government introduced the Policies National Electric Mission Mobility Plan 2020 and adopted the Faster Adoption and Manufacturing of Hybrid and EV (FAME) scheme in 2015 of 8.95 billion (\$130 million), which provided subsidies for electric two wheelers like scooters, electric three wheelers and e-cars. Under Phase II of the FAME Scheme launched in 2019, 8597 crore has been approved for incentives and 1,000 crore has been allocated to the development of charging infrastructure.

EV policies have been implemented in 14 states (Andhra Pradesh, Bihar, Delhi, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Telangana, Uttar Pradesh, Orissa and Uttarakhand) and in draft stage in four states (Chandigarh, Haryana, Assam, Himachal Pradesh).

As the world is shifting towards sustainable and renewable forms of energy in all walks of life, EVs are considered the future of the automobile industry. With added incentives and policy support from the government, the demand for EVs will only go up.

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