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INSIDE 06 FIFTY SHADES OF COLOUR 07 AUCTION REPLAY



IS REAL ESTATE STILL A (ASSET) CLASS APART?

The cyclical slowdown of the economy has impacted many sectors, including real estate. But if past performance is anything to go by, real estate is among the highest performing asset classes. **Here's why** →

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A few months of consumption slowdown in India, market sentiment has recently picked up following fiscal measures announced by the Finance Minister. Many are the woes of the real estate sector with projects getting delayed due to a lack of funding and a general trust deficit between buyers and developers. However, the demand for homes has been rather strong with housing sales rising by 32 per cent in the country's top seven metros in the first half of 2019 as against the corresponding period a year ago.

"The residential real estate market is divided into four segments – super luxury, luxury, mid and affordable. Even during subdued market conditions, the demand for the mid and affordable segment is always strong because it is largely end-user driven. When investing in real estate, one needs to look at it from a long-term point of view. When the markets are subdued, buyers have a greater advantage as developers pass on the favourable offers to serious buyers and most times, banks/financial institutions as well dole out better interest rates to stimulate demand," explains Mumbai-based developer Deepak Goradia.

READ BETWEEN THE LINES:

Despite high cost of real estate and systemic issues such as project delays, housing remains the investment of choice for many Indians. The recent stimulus package of Rs 20,000 crore for non-NPA and non-NCLT will reinforce confidence among many home-buyers, especially for the festive season. But what exactly is the lure of home-buying? Anuraj Verma, partner, Nusus Finance, says, "The aspiration to own a 'nice home' is fundamental to human nature and there will always be demand. The question is: how 'nice' a house can consumers afford? The so-called slowdown therefore affects the nicer homes (luxury) and almost nicer (bridge to luxury) ones, but at the affordable end of the segment, there is lesser impact. The real returns on housing are roughly two-three per cent on leasing revenues and another six-eight per cent in capital appreciation bringing a total return to about eight-11 per cent historically. Stock markets give a higher return historically between 11 and 14 per cent and gold can vary in good years between 13 per cent to minus four per cent. Mutual funds offer a mix of debt and stocks and give returns anywhere between seven and 17 per cent depending on the allocation."

TIMELY REFORMS:

REERA and PMAY have helped build trust and stimulate demand in the real estate ecosystem, thus fostering housing sales, although at a slow pace. "Though the real estate sector has been experiencing a slowdown for the past three years, the sector has witnessed high growth in recent times with the rise in demand for office as well as residential spaces. The opening up of the sector to

Foreign Direct Investment (FDI), low cost borrowings from the Indian banks and approval of Real Estate Investment Trust (REIT) have been major contributors. Private Equity (PE) and venture capital investments in the sector have reached US\$ 1.47 billion between January and March 2019. The construction development sector in India has received FDI equity inflows to the tune of US\$ 25.04 billion in the period April 2000-March 2019. Further the approval for the REIT platform would create an opportunity worth Rs 1.25 trillion (US\$ 19.65 billion) in the Indian market over the years," believes Sameer Mittal, managing partner, Sameer Mittal & Associates, LLP and chairman, International Trade Council.

BUY OR WAIT?

In the given market scenario, it makes sense for home-seekers to keep an eye out for good deals from both, developers as well as banks. Only those who are looking to buy a house for self-use or the long-term will gain from current conditions. Mudassar Zaidi, executive director – north, Knight Frank elaborates, "In times of uncertainty, there are fewer people buying real estate. Therefore, the market is in a situation where it can be referred to as the 'buyer's market'. Buyers should look at the track-record of the developer and invest in projects that are at an advanced stage of construction. If the buyer is buying for self-use, then it is the best time to buy. Having the lowest entry price point is of utmost importance, how much it appreciates later on is just a nominal number. Buyers should avoid deals that involve financial juggling and take up simple discounted deals on an effective cost basis from developers."

DO YOU BELIEVE REAL ESTATE IS YOUR MONEY'S WORTH? Share your views by writing to the author on the above mentioned email id

REAL ESTATE VS OTHER ASSETS

Equity market has a bearish outlook with most Blue-Chip and Mid-Cap stock values declining and foreign investors withdrawing investments from the stock market;

Most public sector banks like SBI have cut interest rates on fixed deposits, which means the yield on maturity will decline for FD investors;

Interest rates on popular saving schemes like Public Provident Fund and National Savings Certificates have also been lowered, which can reduce the attractiveness of these schemes;

Surprisingly, gold has had a bull run in recent times following the Federal rate cut, escalating trade tensions between US and China and the depreciating rupee value against dollar. The yellow metal's prices have hit an all-time high and have crossed the Rs 38,000 mark for 10gm of 24K gold;

No other Indian industry is as heavily incentivised as housing – the Government of India (GoI) has a critical political target to meet in its Housing for All by 2022 promise.

- ANAROCK Property Consultants