

5 things to keep in mind when investing in real estate

Mr. Agnelorajesh Athaide (Co-Founder-SAVV Global VNCT Venture, Global Developments)

Real estate has by far been one of the most preferred investment for the long term, followed by gold and bank deposits or long term shares/ bonds in the stock exchange. Over the past few years, the Indian urban cities have witnessed a fast-paced infrastructure development that has led to the massive growth of the suburban areas. Even as newer clusters of homes and commercial spaces are developed further away from the city centre, it has opened up massive investment opportunities in real estate for people seeking to own a second home/ weekend home or even just hold on to a property for better returns in the long run. Rock bottom prices, a comparatively peaceful and cleaner environment, open spaces and an opportunity to cut off from the hustle and bustle of the city life, are also important aspects that have been attracting people to purchase and invest in real estate. However, whether investing in the remote suburbs or closer to the city centre, there are a few very important factors one needs to be mindful of, when it comes to real estate. These include:

1. Location: This is always the most important and crucial aspect when seeking a property for investment. It is important to have a thorough understanding of the neighbourhood, the upcoming projects, and the infrastructure development in the pipeline etc. However, apart from the neighbourhood, the actual property location, with respect to the approach road, the view, the surroundings and if they are going to remain the same way in the future after you have purchased the property. For E.g., a lush green patch in the backyard and a view of the mountains from the bedroom might seem dreamy right now but a few years later there could be a new project coming up that will block the view and eat up the lush green pasture! Hence a thorough understanding and inspection of the location are vital when looking at long term investment.

2. Valuation of property: Once you have chosen a location, it is important to understand the valuation of the property, as insurance premiums, investment analysis, taxation, depreciation, and the future growth and returns on the property will largely depend on the base valuation. Factors to keep in mind when drawing valuation can be either an income approach – if one is looking to earn rental income out of it, or a cost appreciation approach – if one sees a profit in the ROI of the new property when looking to sell, or a basic comparative analysis – based on the analysis of similar properties in the area with similar features etc. Cost of the property, the loans, and the depreciation amount needs to all be understood properly to arrive at the right valuation.

3. Appreciation potential: This is the most vital factor when selecting a property for investment. Appreciation potential for the property can vary depending on the market scenarios and the development pace of the area. However, in the case of long term investment, one needs to be assured of substantial growth as this is a high value and moderate risk investment. Factors like big-ticket infrastructure development (Mega Highways, Airports or metros and elevated connected corridors etc.)

or proposed commercial/ business hub in the neighbourhood, for e.g., can be big accelerators for the appreciation of the property.

4. Features and amenities: While some under construction or completed properties boast of amenities that will be added to or improved upon later, it is wise to scrutinise the entire property from a feature and amenity point of view, to understand the ease of living and the probable benefit if seeking a rental income. From elevators and open spaces for children and senior citizens to quality fittings in bathrooms and safe electrical wiring etc., are all equally important. Even when one is not looking to actually use the property themselves, a place with a good location and great amenities automatically increases in valuation and returns.

5. Documentation and Ownership: Having thoroughly checked all of the above factors, checking for accurate documentation – clear titles for ownership, clear adherence to RERA and other government policies, eligibility for a loan, the background of the builder and his reputation for quality structures, electricity and water connectivity and supply etc., are all important aspects. Once satisfied with all the information, when buying/ investing in a property, one must make sure to have foolproof documentation that is legally registered, with all due diligence, taxation, insurance and stamp duty etc. these processes, although lengthy and sometimes expensive, are important to ensure authenticity and value of the ownership documents. For example, there are some properties located in the outskirts of the city, which comes with the land ownerships along with the villa/property. These make for a high-value investment as it allows one to own the piece of land and not just the home.

Way Forward: While there has been a lot of interest in real estate investment recently, especially in the form of holiday homes or weekend homes, there is still little understanding about the basic do's and don't's when investing in a property. Keeping in mind the above factors, one can make an informed and profitable investment in real estate, and enjoy a good property as a getaway from the high paced city life.