



HOUSE OF HIRANANDANI

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**RENT
OR
BUY
THE
ETERNAL
CHALLENGE**



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TORS NOTE

Dear Friends,

The financial year 15-16 is reaching culmination, and the real estate sector witnessed some action packed events during this fiscal year. Summing up these events, we can expect a drastic change in the core functioning of the real estate industry in the coming days. But all is not bleak, the approaching financial year is set to bring with it exciting times for the real estate industry and for home buyers too. The real estate bill touted as a key reform measure is the reason for much renewed hope in the sector. It will help regulate the sector and bring in clarity in terms of who governs/monitors realty projects. It rightly aims to bring transparency, regulations and removing the deadlock of timely completion of projects for the buyers. The bill is also poised to bring more FDI to the sector and will be the core factor behind the facelift of real estate.

Further, the recent budget announcements have also brought some positive cheer, with the earnest move to remove the last remaining tax hurdles in the way of the Real Estate Investment Trusts (REIT). New incentives for first-time home buyers and paving the path for affordable housing are additional reasons to rejoice for home buyers.

While home buyers weave dreams of a utopia, a few questions still remain unanswered. One of them being 'Rent or Buy- The Eternal Challenge', city dwellers often grapple with this question and this edition of the Herald throws light on this very issue.

For the benefit of our readers, we have tried to objectively analyze the pros and cons of both options and examined in detail all the accompanying aspects that are an integral part of both these choices. An in-depth evaluation of key factors like how to choose between the rent/buy option, guidelines that should govern your decision, smart pointers to manage your home loan across varying scenarios, simplifying the do's and don'ts' of subvention schemes will help clarify readers' doubts.

We have laid special focus on the southern cities of Bangalore and Chennai, highlighting the key reasons that make these twin cities the destination of choice for both realty buyers and investors, ranging from their demographic and infrastructure attributes, emerging destinations, realty market scenario and outlook for the future.

We sincerely hope that the information contained herein helps you to choose the option right for you and allows you new insights and a better understanding into the functioning of the real estate industry.

Last but not the least; we sincerely hope that you will enjoy reading this edition and look forward to your valued feedback on the same.]

Warm Regards,

Surendra Hiranandani
Co-Founder & Managing Director
House of Hiranandani.



RENT

Rent Or Buy? An Objective Analysis Of Both Options

To buy or to rent has been a question that has dogged property buyers for several decades and will continue to do so. Deciding between buying or simply renting property isn't always a matter of choosing the cheaper option, but involves the consideration of several other factors ranging from your family's needs, personal financial situation, factoring in inflation swings and cost of living, scope for price appreciation and a comparative study of the costs involved in both options. Clearly the decision to buy a house or stay on rent is a personal one for every individual and hinges on multiple personal, financial and social priorities.

For the vast multitude of middle-class Indians, buying a home is perhaps the single-most important investment decision he or she makes in his lifetime. It's one of those life-changing decisions and the culmination of a dream for most buyers that more often involves putting their life savings.

Buying a home early on is always a preferred option. Not only does it afford you greater privacy and security for your family, it's a liquid investment whose value usually increases over time, your costs are stable and predictable than those involved in renting.

Plus there is always the option of taking a home loan which offers the dual advantage of lucrative tax savings (on your principal and interest component) and ample time to pay off the loan before you retire.

Having said that, it's equally important to first evaluate your long-term financial health, ensuring you have enough funds to make the down payment, pay the EMIs and still have enough to afford other necessary expenses like your children's education and medical emergencies for example. Further it's always a good idea to do your due diligence in terms of the project's location, builder's credibility, amenities on offer, hidden costs, potential for price appreciation etc prior to investing your hard earned money.



A case in point here is that of Sanjay Lal, 32, a mid-career operations executive with a leading Delhi-based telecom major. The sole breadwinner of a middle-class family that includes his wife and younger brother, Lal pays a monthly rent of approx INR 10,000 or about 30% of his salary for his modest 1BHK. After accounting for other household expenses, Lal isn't left with much in terms of savings.

Ergo to reduce his monthly outgo, Lal is keen on buying a home at the earliest and save the money he otherwise spends towards paying his monthly rent. However there is a problem. Based on his current income, the amount he is eligible for as a home loan is not enough to justify the purchase nor does he have sufficient funds at his disposal to make the down payment. Clearly it will take him another 3-4 years to save enough for making the initial payment for a new home.

While Lal continues to be optimistic about buying his dream home as soon as possible, there also exists a vast majority of people who prefer to take the rental route especially in costly metro cities. Not only does it allow them greater flexibility in terms of residing in a location and home of their choice, the financial impact is also greatly reduced with a fixed outgo per month that's much easier on the pocket.

But how does one decide whether to buy or rent a property? It's a question that has

vexed even the most astute minds for years, simply because there is no quick-fix to this conundrum and making the right choice varies from person to person dependent mostly on individual priorities, financial capability and the realty market scenario.

Market Trends Indicate That A Large Chunk Of First Time Property Buyers Today Are Young Working Professionals With Higher Disposable Incomes Who Prefer To Buy Their Own Home At The First Available Opportunity, As Opposed To Staying On Rent, Driven Largely By Their Need To Provide A Home For Their Family And The Lure Of Making A Sound Investment For The Future.

Buyers in the metro cities are highly paid. Home for their family and the lure of making a sound investment for the future. IT and financial services sector, a growing number of double-income families where both the husband and wife are employed, first-generation entrepreneurs riding the internet boom and working professionals employed overseas.





DECODING The Rental Option

On the flip side however, buying a house often does not make economic sense for more reasons than one. While a buyer, looking to buy a ready possession flat today may be spoiled for choice, a large number of such unsold homes in prime locations across Tier I cities are more often than not beyond the budget of salaried professionals, while those in under-construction projects run the risk of delays, wherein an unsuspecting buyer could end up paying both rentals and EMIs on his home loan making it a high-risk proposition. Last but not the least, given the glut of realty information available online, the new generation of property buyers is better informed and

clearly uninterested in investing their money in costly projects, more so in areas where it's far more cost-effective to rent a property rather than buy one.

A case that highlights this point is that of Mumbai-based IT professional Rahul Mathur, who learnt a valuable lesson while searching for a 2BHK flat between Andheri-Goregaon, two of the city's sought-after residential suburbs.

According to him, a majority of the ready-to-move-in flats that he was shown were beyond his reach with a price tag upwards of Rs 2.5 crores. He had the option of opting for a staggered payment plan by choosing an under-construction project, but this was not feasible since he wanted to shift



shown were beyond his reach with a price tag upwards of Rs 2.5 crores. He had the option of opting for a staggered payment plan by choosing an under-construction project, but this was not feasible since he wanted to shift immediately.

Rather than being coerced into taking a huge home loan and paying hefty EMIs for the next 20 by the years, Mathur took a calculated risk and chose to rent a smaller 2BHK in the area for a monthly consideration of approximately Rs 28,000. It's a risk that has paid off, since not only did Mathur save a lot of money, he also remained debt free and resolved his pressing for a home by opting for a rental accommodation that is quite affordable by him.

Mathur is spot-on in his assessment. With his available corpus of approximately Rs 1.5 crores, he would have to take a home loan of approx Rs 1 crore to buy a new 2bhk. Assuming that the tenure of the loan would be for a

period of 20 years, his EMI's @9.75% would work out to a whopping Rs 94,981 per month.

By choosing the rental option, Mathur has smartly limited his monthly liability to about one-third of this amount, not to mention made a huge saving on account of ancillary expenses that form a mandatory part of the property buying process like part-payment upfront, stamp duty fees and registration charges . Further he also has the option of paying the rent via the interest accrued on his corpus of Rs 1.5 crores by investing in a bank fixed deposit, effectively making his home rent-free.



Clearly there are equal pros and cons to both buying and renting property and the decision is often dictated by the priorities and compulsions of the potential buyer. For those looking at creating a long-term asset, buying property definitely makes more sense in the current context given the plethora of offers.

For buyers who cannot afford a home in a prime location, buying one in a peripheral location is often the next best choice since they not only offer excellent value for your money but often present good potential for appreciation in the future.



For those not intending to take up residence for an extended duration, renting continues to be the preferred option given the lower costs involved vis-à-vis buying property, zero hassles of maintenance and renovation, social flexibility and better mobility wherein one can move seamlessly to a new destination without worrying about the house left behind and the tax exemptions on HRA or the House Rent Allowance component of a salary for tenants from the salaried class.

Key Factors To Consider While Renting Property

For many of us rental accommodation is a term we are very familiar with, having stayed in one (or more than one at times) at some point in our lives even as we chased our career aspirations in an alien city.

The rental or lease agreement and the conditions contained therein are the mainstay of any rental property transaction. This all-important document incorporates all the terms of agreement as agreed to by the owner of the property and the tenant, financial terms,





tenure and basic guidelines of tenancy as decided by the owner.

From a potential tenant's perspective therefore it's highly recommended that he or she is well-educated on the basic tenets that constitute a rental property agreement, if only to ensure that both parties are in complete agreement to the terms and conditions of the deal, before registering the document.

According to industry experts, the three main aspects of a lease agreement that a tenant needs to closely examine include, the tenure of license period, consistency of the rent during this period and clarity on add-on costs like municipal taxes, maintenance charges and other applicable society fees.

While it's the owner who is supposed to bear

most of these charges, tenants are well-advised to include a clause regarding any deposits paid prior to renting the premises and the terms for a refund of such deposit upon termination of the lease.

As per accepted industry practice, security deposits which are not refunded within seven days of the lease expiry are to be refunded with interest for each day of delay.



Moreover the tenant needs to ensure that the landlord does not withhold funds from the refundable deposit on false pretexts like supposed damage to property etc, post termination of the lease period.

Checklist of key property documents that need to be verified by a tenant:

Title documents: To ensure that the person renting or leasing out the premises is the actual owner of the property.

Share certificates: If the premises being rented is part of a co-operative society, it's advisable to check the share certificates.

Electricity bills: They should be in the owner's name.

Verification of built-up area: In case of doubt, this can be done by a qualified architect.

No-objection certificate: This is an important certificate that specifies the exact conditions for rent/lease of the premises and other forms of bias like no-entry for bachelors.





BUY

When Does It Make Sense To Buy Property?

There are multiple instances in our life when emotions get the better of us. The day we acquire that coveted qualification or the day we get married or the day our child enters the world are all exciting and emotionally taxing milestones. But surely, can we ever forget the day when we got that longed for key to our new home and the pride that surged in our heart when we saw our name outside the door? Home has countless emotions attached to it - the dream-come-true feeling, the ultimate proof of our achievement and a sense of self-actualization.

HOH, for decades, has been a witness to these countless emotions of our customers, as they moved into their new home; children rushing in to check their new bedrooms with shouts of laughter, tears of joy in the parent's eyes to see their son and daughter-in-law stepping into a newly purchased home, the rituals and ceremonies of the first puja, techno-savvy buddies examining every aspect of the house and women friends appreciating the size of the kitchen or admiring the decor. The satisfaction of a well-made investment on the home buyer's face is a continual reminder of this emotional connect with home.



While buying a home is an emotional decision for most buyers, there are key factors that need to be considered to make the decision to buy a prudent one. For instance, it makes ample sense to invest in realty when the interest rates are on a downward spiral or when the real estate market is going through a downturn and developers cut prices to boost sales.

This is in sync with the advice offered by most financial planners and property experts who stress that first-time homebuyers should buy property only when they are well-placed financially and can afford the cost. But often all the planning in the world is insufficient to prevent buyers from going overboard with their realty purchase.

Simply put, overshooting your budget can be allowed only if you have surplus funds. And no, banking on future salary increments, annual bonuses and expected cash gifts to justify this over indulgence is not a safe option.

If you have opted for a home loan to fund your purchase, make sure your total principal outstanding does not exceed 50% of your total assets at any point in time and your EMI's account for not more than 30% of your net monthly income.

While some can afford and some can't, everyone yearns for a house just as much. So, those who can should make sure that they are not

bringing home a bad deal.

Prior to buying a house, a first time buyer needs to make sure if he plans to relocate or stay in the city for a prolonged period to justify the purchase and the debt burden, locate the right house in a convenient location that also fits his budget, have a good credit history and keep enough funds aside to make the initial payment. It is extremely important to opt only for reputed developers if investing in an under-construction property.

Taking heed from similar advice he received, 30-year-old interior designer Sunil Manchanda deferred his plans to buy a home, though he could well afford an EMI in the range of Rs 60-65,000 per month and a down payment of around Rs 25 Lakhs to buy an apartment at Gurgaon. He currently resides as a tenant in the city in an apartment worth approximately Rs 90 Lakhs, for a monthly consideration of Rs 18,000 per month.

Explaining the rationale behind his decision, Manchanda states that as a self-employed design professional he is unsure how long he plans to continue staying at Gurgaon. He further adds that given the rapid changes in the interior design domain, there is a good chance that he may relocate elsewhere or even go abroad in which case taking a loan liability for the next 15-20 years just does not make any sense.



that given the rapid changes in the interior design domain, there is a good chance that he may relocate elsewhere or even go abroad in which case taking a loan liability for the next 15-20 years just does not make any sense.

While Manchanda's arguments do have a lot of merit, it is well known that property bought from a known developer at the right price and location in terms of the social infrastructure availability and connectivity is a step in the right direction from both end-use and investment perspective, with the value likely to appreciate steadily over time. Then there are the major tax benefits of buying property that also play a big role in going ahead with the decision to buy.

Buying property also allows the owner the option to earn a second income by renting out unused space. Taking this a step further, some market-savvy end users are known to invest in expensive properties in prime location via the home loan route, renting out the extra space and using the rental income to pay the EMIs, thereby reducing their debt

liability to zero.

Key Factors To Consider While Buying Property

There are many factors that need to be carefully considered prior to going ahead with the decision to buy property. In the current context where the buyer is king, it often becomes next to impossible to choose between projects that are quite similar in terms of their basic parameters like pricing, location, amenities and quality of construction.

In such a situation, most buyers will tend to book the project that comes closest to meeting their customized



requirements at the lowest price possible. While this may seem as the right approach, buyers need to adopt a long-term perspective to property buying to accrue maximum benefits.

Take the case of newly-weds Shatanu and Riya Mukherjee, Bengaluru-based IT professionals who recently decided to buy their own home. The seed to buy their own home was first sown last year when two of their close friends took the plunge, and then their landlord announced his decision to hike the rent for their modest 2BHK at the end of their term.

But what really cemented the decision to buy a house was the salary hike that Shantanu got earlier this year, which raised their spending capacity considerably. As Riya puts it succinctly, "Now it makes more sense for us to pay an EMI rather than paying an inflated rent every month." This approach is correct as the decision to buy a house should be based not just on the need, but also on the individual's financial readiness.

However as is the case with many young, first time property buyers, the Mukherjee's are unclear about how to go about the buying process. So what exactly are the key factors that first time buyers need to consider prior to sealing the deal?

The home buyer must zero in on a good location which offer a good selection of residential options across budgets with well-devel-

oped social infrastructure and connectivity.

The next step involves choosing the right project as per their specific needs from a reputed developer. From a buyer's perspective, investing their hard-earned money with a known developer having a good track record of projects behind him, will give buyers peace of mind on crucial issues like the project quality, legal sanctions, top-of-the-line amenities, regular maintenance and excellent resale value."

Once the project has been selected it's time to take a re-look at their finances. It's good to aspire to live in a large home, but not if it involves paying a huge chunk of your salary / income towards servicing your home loan EMIs. The EMI or rent component of your new property should never exceed 30% of your total income. Further it is prudent to verify your monthly outgo in terms of the maintenance costs before signing the purchase agreement.

Given the transferable nature of their jobs, the Mukherjee's are also keen to



know how to ensure that their property attracts good rental / resale values in the event that they have to relocate to another city in the future.

Simply put, it's the location, social infrastructure availability and best connectivity options that decide the rental and resale values of a property. For example, homes located close to prominent commercial spaces or employment hubs like IT Parks are a preferred option among professionals and office goers looking for a residence close to their workplace.

Tenants and buyers also prefer to homes in projects developed by reputed developers for their assured quality, brand value, modern amenities and better upkeep/maintenance of the property.

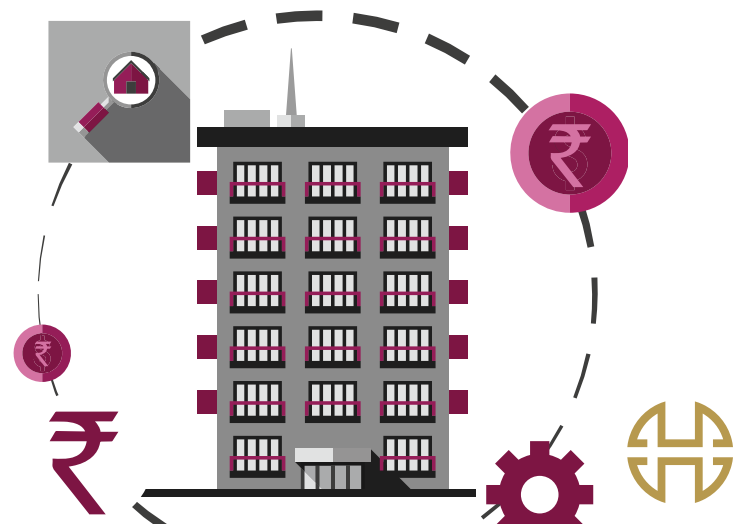
Important Tips For Realty Buyers

In high stakes transaction like property purchase, it is best to adopt a structured, disciplined approach to the whole process to protect your interests as a buyer. A few important pointers that need to be followed are as under:

- Remember to get the original property deed (title, ownership details etc) thoroughly checked and verified by a lawyer.
- Confirm the seller is the actual owner of the said property and it's not under any litigation and is free from all encumbrances.

- Check all the mandatory municipal approvals if the said property is under construction. Ensure that the agreement of sale has all the terms and conditions as agreed to, duly mentioned clearly. Ensure you get a proper receipt from the seller for all payments. Make sure the final sale agreement is duly registered with the Office of the Sub-Registrar, after paying the applicable government charges.
- Remember the buyer (you) is always indemnified against any loss arising from any defect in the property title. Make sure you secure possession of the original property title and a physical handover of the said property at the time of concluding the sale deed. Ensure the seller has no pending claim, right, interest in the property once deal is concluded.

●



Where To Buy Property?

Investment in property is usually dictated by personal and professional preferences, however a smart buyer will also look at bigger issues before investing his hard-earned money. These may range from overall economic scenario, potential for price appreciation, employment options, location & connectivity, security concerns, availability of social infrastructure and so on.

It is in this context that the cities of Bangalore and Chennai emerge as leading contenders for property buyers looking at combining most of the above-mentioned parameters in a single destination. While Bangalore is the official IT hub of the country that offers buyers a slew of options ranging from super-luxury to affordable projects to invest in, Chennai is the second largest exporter of IT and ITES services, has a resilient realty market that is poised to grow in the future.

To understand what makes each of these vibrant cities a preferred realty destination for buyers, here's an up close and personal look at their individual characteristics from a realty perspective.

BANGALORE

Bangalore has been one of the fastest-growing cities in India since the past few decades. Also known as the Silicon Valley of India, IT has been the major growth driver for the city's fortunes and has been one of the key growth drivers responsible for aggressive real estate development in the city. The city's IT industry can be divided into three clusters namely the Software Technology Parks of India (STPI); International Tech Park, Bangalore (ITPB) and Electronics City located in the south of the city.



Being the IT hub of India, Bangalore has a cosmopolitan population with excellent social infrastructure, reputed educational institutes and constantly upgrading physical infrastructure. The city also plays host to a slew of R&D centers for majors like GE, ABB, Airbus, Bosch, Boeing, GM, Google, Microsoft, Mercedes-Benz, Nokia, Oracle, Philips, Shell, Toyota and Tyco.

Some of the key factors that have influenced the capital appreciation and rental potential of realty in the city are the rapid growth witnessed by the IT and ITeS sectors, a increasing number of high net worth individuals and expatriates who have moved here, a string of ambitious infrastructure projects announced by the government (Peripheral Ring Road, Metro Rail, Signal Free ORR, High Speed Rail Link, Mono Rail, Elevated Expressway) and several upcoming SEZ and IT parks (ITIR in Devanahalli, Aerospace SEZ, Devanahalli Business Park, Airport city), across the city.

Global Real Estate consultant Knight Frank has identified Bengaluru as one of the key cities in India which is expected to give good returns in the next five years, in its report titled Residential Investment Advisory 2016.

Among Bangalore's many fast developing realty destinations, the IT hub of Hebbal continues to attract buyers and investors given its location and connectivity. Named after a popular lake in the vicinity, Hebbal is

well connected with Outer Ring Road and Bellary Road via several flyovers and is known for its park and boating facilities. The area is well connected to the city's international airport via the signal-free Outer Ring Road and is also on the map for metro connectivity with the Phase 3 of the Namma Metro project.

Adding to its lure as a preferred realty destination is its proximity to several IT hubs with majors like IBM, Micro Software Services, Bharat Electronics Limited, Philips Software and Integra Micro Software Services based here. Manyata Business Park, one of the largest technology and business parks in the city is also located here along the Outer Ring Road. Realty trends here show a preference for end-user driven residential apartments, which primarily cater to the housing needs of IT professionals.



Bannerghatta with its strong IT presence and excellent connectivity with central Bangalore is yet another popular realty destination. Bannerghatta Road is dotted with several office spaces, schools, hospitals and shopping malls making it one of the important roads of the city.

On the commercial front, about 3.5 million sq ft of office space are operational on and around Bannerghatta Road. This road is also seeing a lot of retail spaces and residential projects, thanks to its easy accessibility to the eastern stretch of Outer Ring Road.

With a mix of premium and affordable housing options, this area offers an excellent mix of options for both end-users and investors. Upcoming locations here include areas like Arekere, Hulimavu, Gotigere, Puttanehalli and JP Nagar (Phase 6&7) which are witnessing a spate of residential development. Given the huge buyer interest several reputed developers have launched mid-range and high-end projects along this road.

Located approximately 35 kms from the city,

Devanahalli hosts the Kempegowda International Airport, the second largest airport in the country. Known as the birth place of Tipu Sultan and home to the Devanahalli Fort, built during the time of the Vijayanagara Empire, has emerged as a strong real estate destination in recent years.

The development of the international airport has played a huge role in the development of this micro market and enhanced connectivity with the subsequent widening of major arterial roads. The Outer Ring Road has also improved the connectivity of this locality as it provides access to almost all parts of the city. Devanahalli also lies in close proximity to important roads like Tumkur Road and Old Madras Road. National Highways 7 and 207 also pass through this locality.





CHENNAI

Chennai, the capital of Tamil Nadu is fast emerging as one of the major economic hubs in the country. Due to its locational advantages and accessibility, many MNC's, auto majors, BFSI and IT companies have established their base for their Indian operations here.

The past decade has seen a spurt in economic activity and investment in the state, more so in Chennai and the surrounding areas. Consequent to this, there has been a tremendous growth in the residential sector and other social infrastructure like retail, hospitality, entertainment, education and health care. With its residential realty consumption driven mainly by end users and NRI's, Chennai is one of the most resilient and stable property markets in the country today.

Chennai's real estate market offers buyers a slew of options across luxury, premium and

affordable categories spread across growing suburban corridors of OMR, ECR, GST and Poonamallee.

With its huge list of corporate parks, Old Mahabalipuram Road or OMR has emerged as a sought after realty destination in the city. This popular stretch which extends from Adyar's Madhya Kailash temple right upto Kanchipuram is also known as the birthplace of IT in Chennai. Not surprisingly, it's the preferred residential choice of IT professionals working in the area which has resulted in the mushrooming of several large residential township projects here.

Specific locations along this road like



those along Semmancherry and Kelambakkam have emerged as strong drivers for realty development in addition to locations like Siruseri which hosts the SIPCOT IT Park among others, employing an estimated 50,000 IT professionals.

OMR is slated to witness improved connectivity going ahead with mega projects like conversion of the approximately 14-kms stretch between Siruseri and Mahabalipuram into a six-lane expressway, with a proposed extension upto the East Coast road. Other key projects here that are expected to further boost connectivity include, plans to launch a BRTS system and a proposed elevated expressway linking Mahabalipuram to Taramani.

With ample land availability, a slew of choices ranging from large, gated township projects to luxury apartment projects, proximity to the city's international airport and other commercial destinations, affordable prices (lower than CBD's like Adyar) and good price appreciation potential, OMR is likely to witness a sustained interest from end users, realty investors and NRI buyers who are actively considering projects in this popular location.





BUY

Smart Tips To Manage Your Home Loan

Many first time home buyers who have opted for the home loan route find it a tough task to manage their EMIs effectively at the onset, with the thought of pre-payment a distant dream.

While buying your first home is a huge accomplishment, having to fork out a big chunk of your monthly earnings to service your home loan EMI's can leave a bitter after taste, more so if you have opted for a longer tenure. It's a scary scenario that most home

buyers who have opted for the home loan route can identify with.

However it doesn't have to be the case always. There are ways and means to ensure that you become loan-free, well before the tenure ends. All it takes is some smart planning, subtle lifestyle changes and pretty soon you can own your home in the true sense.

Some of the most commonly raised queries with regard to managing a home loan are as under:

Does it make sense to use the pre-payment option offered by most lenders?

For most home loan customers, repayment of the loan at the earliest should be a priority over other less important expenses since the



For most home loan customers, repayment of the loan at the earliest should be a priority over other less important expenses since the longer the loan tenure, the more interest you have to bear. One way to ensure that your interest payouts are at a minimum is by making pre-payment in large tranches at regular intervals.

Surplus cash benefits like the yearly bonus, salary arrears, gifts in cash and performance-linked bonuses make for a convenient cash pool to make partial payments towards your home loan. Making regular loan pre-payments not only reduces your total debt substantially, it also helps you save money from unnecessary interest payments.

Will opting to pay a higher EMI help me save money on my home loan?

Yes. By doing so, you can cover more ground on the repayment process and also cut down on your interest payments. EMIs can be increased by making use of funds that are going into any endowment insurance plans you have taken, or by simply cutting down on your additional expenses and diverting that money into making your EMI payments.

What's more it doesn't have to be a huge increase; even an increase by a few thousands can go a long way in reducing your principal amount, thereby lowering the interest component and reducing your loan tenure.

Should I shift my loan to another bank that is offering me a lower rate of interest?

Different banks reduce their rates at different times due to varied interest rate reset periods. So, looking out for banks that offer a lower interest rate can be quite profitable for you. But make sure that you don't make the switch too many times or for minor interest rate differences since each time you switch to a different bank, you will have to partake in the verification processes and legal paperwork all over again.

Should I take my family into confidence prior to opting for a home loan?

Yes. Clearly none of the above-mentioned suggestions are possible without the complete involvement and support of the family. Admittedly, there may be little they could do in terms of helping you arrange for additional funds, but their support is indispensable when it comes to cutting down on all the non-priority expenses.

Should I opt for a fixed or floating rate of interest for my home loan?

With banks frequently announcing rate revisions, this one indeed poses a dilemma. A fixed rate naturally affords a sense of security, on the flip side however you may lose out if the interest rates are lowered in the future. To make an informed choice, there are different scenarios that need to be considered here



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For example, if you want certainty in the initial repayment period and if your EMI does not exceed 30-40% of your monthly income, choosing a fixed rate is a good option. A fixed rate for a longer tenure also makes sense if you don't intend pre-paying the loan since it acts as a safeguard against future interest rate hikes. Also, it may be a good decision to switch to fixed if the rates are in single digits or if the difference between floating and fixed rates is 1% or more.

But if you plan to make part pre-payments every year or plan to repay the loan within 5-7 years, a floating rate makes for a better choice. Again if your loan tenure is less than 10 years, you need not opt for a fixed interest loan, since the interest outflow is lesser for short duration loans.

However if you are not in a position to absorb further rate hikes, then a part-fixed-part-floating-rate loan offering a fixed rate for the first 3-5 years and a floating rate thereafter could be the right choice for you.

Subvention Schemes: Boon Or Bane?

Subvention schemes have been adopted by developers to make property transactions less cumbersome and more customer friendly.

Introduced in tandem with leading banks and NBFC's, these schemes allow a potential customer to invest in an under-construction project, without having to bear the EMIs, which are borne by the developer for a fixed period or until they get possession of their home.

Also known as an 80:20 scheme a buyer who opts for such a scheme is expected to pay only 20% of the total cost upfront with the balance usually payable at the time of project completion/possession. Such schemes are already generating a lot of interest among potential realty buyers and as a result, leading developers across major cities like Mumbai, Delhi-NCR, Hyderabad, Bengaluru and Chennai have been quick to adopt it as part of their sales strategy to woo more buyers to their projects.



However considering the risks associated with such schemes, partner banks are strict in ensuring tie-ups for such schemes with only leading developers with a good credit history and track record for completing their projects.

Win-Win For Buyers:

Usually such schemes are tailor made to offer buyers the benefit of both convenience and flexibility. Some of the main advantages offered by subvention schemes from purely a buyer's perspective are as follows:

Potential buyers get the chance to book their dream home by paying just a fraction of the total cost upfront.

- They are ideal for those living in rental accommodation as many developers bear the interest burden for a fixed period / until possession, as the case may be.

- With leading banks endorsing the project there is added safety of investment. Buyers gain access to bank funds which charge a lower interest rate as compared to other commercial sources.
- The tie-ups between the bank and the developer ensure a faster loan disbursement for a buyer with minimum hassles.
- Clients normally enjoy advantage of pre-closure of loan amount, sans any charges.

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Understanding The Risks Involved:

While such schemes offer a slew of advantages for the buyer, they are not without their fair share of risks. Some of the main concerns associated with subvention schemes that need to be considered are as follows:

- A builder may default on EMI payments which could jeopardize the credit history of the buyer.

- Some developers offer to bear the EMIs only for a fixed period (12, 24 & 36 months), while others till possession. Always opt for the latter option, lest the project gets delayed and you end up paying both the EMIs and your rent.

Always make it a point to read the fine print before opting for such schemes.

- It is in the buyer's best interests to calculate the difference in total cost between the construction-linked plan and subvention scheme for the same project. Invest only in projects where the cost differential is at a minimal or lesser.



The Way Forward

While the domestic real estate sector has been sluggish at best in the last couple of years, industry experts are optimistic about a turn-around in the year, citing industry friendly measures like government's promotion of 100 Smart Cities, AMRUT (Atal Mission for Rejuvenation and Urban Transformation), Housing for All by 2022 and the ongoing thrust on infrastructure development.

Further, the government's easing of the FDI policy, the passage of the Real Estate Bill, Smart Cities initiative, and the introduction of REITs (real estate investment trust) are also widely expected to bring in the much-needed transparency into the sector and boost investor confidence in the coming years.

Already the sector is showing signs of making a strong comeback. A recent report by Liasis Foras reveals that home sales increased by approx 15% in the October-December quarter to 78 million sq. ft vis-a-vis the same period last year across India's top eight property markets, with the Mumbai Metropolitan Region (MMR) topping the list.

In Ahmedabad, Bengaluru, Chennai, Hyderabad, Pune and Kolkata, cumulative sales of apartments priced between INR 50lakh-1 crore was pegged at approx 24.4 million sq. ft, followed by the affordable segment (INR 25-50 lakh) at 23.2 million sq. ft and the ultra-luxury segment, with homes priced upwards of INR 2 crore, accounting for approx



12.8 million sq. ft.

On a y-o-y basis, realty sales in the eight cities improved 7%, from 72.9 million sq. ft. Experts also believe that the rate cut of 50 basis points by the Reserve Bank of India in its September 2015 monetary policy review and the seventh Pay Commission released by the government panel will boost the real estate sector in terms of increased demand and supply. As per market estimates, investments into real estate sector last year stood at approx \$8 billion or INR 53,000 crore, a seven-year high the ongoing turbulence in the sector notwithstanding.



From a buyer's perspective however, it's prudent to remember that real estate as an asset class has always provided healthy returns on investments made with a medium-to-long term outlook (5-7) years, while there have been several instances where the returns have been robust in the short term too (2-3 years), though this should not be taken as a precedent.

At the end of the day, the decision to buy a home is guided by the need to provide emotional and social security for the buyer and his loved ones, in addition to insulating them from price appreciation and rental costs. In

the present context, wherein it's clearly a buyer's market, this is the right moment for potential home buyers to take an informed decision and buy a home, if only to partake the joy of a long cherished dream finally coming true.



PROJECT PROGRESS PICTURES

BENGALURU -Bannerghatta



- 1. Club Meadows
- 2. Hill Crest
- 3. Lake Verandah
- 4. Queensgate



BENGALURU-Hebbal



- 1. Glen Classic
- 2. Glen Gate



BENGALURU -Devanahalli



- 1. Chancery
- 2. Calgary
- 3. Crossgate
- 4. Cypress
- 5. Cottages



BENGALURU -Devanahalli



- 1. Villas Phase I
- 2. Villas Phase II
- 3. A1 Fencing installation near Villas Phase II



- 4. Picket Fencing work in progress
- 5. STP External Renovo
- 6. Games Block



CHENNAI -EGATTUR



- 1. Sinovia
- 2. Edina
- 3. Bayview
- 4. Amalfi
- 5. Tiana





HOUSE OF HIRANANDANI

HERALD