

A guide to buy your dream home

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Vivek Singhal shares his views on what all are the important things to look at before buying a dream home and whether this is the right time to do it.



Have you felt like missing the Real Estate bus before? Well, there are quite a few people who grudge for not being able to time the real estate market either in early 2000's or post the 2008-09 economic crises. Early 2000's saw an unprecedented boom in the real estate market with home prices increasing manifold till the 2008-09 crises. Even immediately after the 2008-09 crises, when the prices corrected substantially, few investors/buyers saw the opportunity to buy & were able to make considerable profits after an immediate & sharp recovery in real estate markets. However, few people who even though bought at the right time but did not buy in the right project are facing delivery challenges

even today. So the crux here is to be able to time the market & identify the most appropriate opportunity for investors as well as end-users of real estate.

Key aspects to look for?

- **Existing & upcoming physical & social infrastructure:** You must have heard that there are three things to look for when buying real estate and its location, location & location. It is important to identify the existing & upcoming connectivity with key economic centres of the city as well as the physical & social infrastructure within & close to the Project like schools, malls & other social amenities.
- **Expected quality of development:** One of the key aspects is to evaluate the quality of the development by visiting under construction buildings & mock-up apartment.
- **Delivery risk:** It is important to buy a home in a project which is in an advanced stage of development & nearing completion to minimise the delivery risk.
- **Financial health of developer:** The financial health of the developer is a key indication of its ability to deliver the Project as per the promised quality & timelines.
- **Quality of community:** This is a key aspect as your quality of life would also depend on the type of community you are part of.

Is it the right price & time to buy?

The biggest dilemma any prospective home buyer is faced with is if this the right time & price to buy at? Well, among other things, the most important factor could be doing a cost plus analysis or replacement cost analysis. In layman terms, this means to evaluate if someone has to do new development in a particular location, what it would cost to develop a project with similar quality of development. Taking an example of Golf Course Extension Road in Gurgaon, if someone has to buy unapproved land at current market prices & get all Governmental approvals, it would cost in the range anywhere between Rs 2,500 to 3,000 per sq ft. Over it, any good quality development including overheads etc. for a premium project would cost another Rs. 4,000 to 4,500 per sq ft. So the development cost of a good quality premium project today would be in the range of Rs 6,500-7,500 per sq. ft. For any luxury project, the development cost can only go up. The input costs are expected to increase further owing to increase in land cost due to land acquisition Act, higher development cost due to increase in compliance cost for Developers due to the implementation of RERA. So any premium product nearing completion & located in Golf Course Extension Road micro-market priced at anywhere between Rs. 7,000 to 9,000 per sq. ft could be a good buy after evaluating other aspects mentioned above.

Timing the market:

The prices have either corrected or remained stagnant for last few years, which actually means that the prices have substantially corrected once adjusted for inflation. As we believe that the prices have reached their lowest in most of the markets & demand may pick up soon, it may lead to an increase in prices. The reasons for this belief are as follows. Firstly, many prospective home buyers have been deferring their buying decision over last few years in anticipation of a price correction. The latest move by Government to demonetize high-value currency notes has added to the perception that the prices will correct further, which has resulted in more home buyers postponing their buying decision. This has led to a large pent-up demand component being created in the housing market.

Secondly, with inflation under control, India is entering into a low-interest regime as home loan interest rates have expectedly come down & are expected to decrease further. It will result in lowering of EMIs for home buyers along with more people meeting the eligibility criteria. This coupled with rapid urbanisation, robust economic growth & higher salaries would create a very large segment of new home buyers resulting in enhanced demand for housing, especially in the urban areas. An enhanced demand will further lead to shooting up of prices.

Given the various factors discussed above, next few months may be the right time to buy your dream home.

