

Invest in quality amid tenuous recovery in residential realty

Alternatively, if you can, enter the market at a discount price

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Residential real estate prices have begun inching up. Several markets have witnessed a price increase in high single digits over the past year. After a prolonged downturn, the chances of a market revival appear realistic. However, those who wish to buy residential real estate for investment purposes must make a cautious entry.

Rising salaries drove demand

One factor that has contributed to the price uptick is the jump in salaries within the information technology sector. "Due to demand for talent from educational technology (edtech), cryptocurrency-blockchain, and other start-ups, salaries doubled. This led to people entering the housing market and existing owners upscaling to bigger units," says Anand Moorthy, chief business officer, data intelligence and asset management, SquareYards.

During the downturn, weaker developers exited and there was consolidation in favour of financially stronger ones with good brands. Such developers tend to deliver on time. This reduction in perceived development risk has enhanced buyer confidence.

Rising costs, interest rates pose risks

Input costs have risen massively due to Covid disruptions and the protracted Russia-Ukraine offensive.

"Developers absorbed the costs initially as they did not want to disrupt demand recovery, but that is no longer doable," says Anuj Puri, chairman, Anarock Group.

He adds that with the market remaining highly price-sensitive, further hikes could impair demand.

Recent news of job losses in the

SOME GOOD-PERFORMING MICRO-MARKETS

Top cities	Top micro-markets for investment	Current avg price range (₹/sq. ft.)	Average appreciation since 2018 (%)
Bengaluru	Sarjapur Road	6,000-9,000	15
Bengaluru	Bellary Road/ New Airport Road	6,000-10,000	20
MMR	Bhiwandi	6,000-8,000	18
MMR	Dombivli	4,500-7,000	13
Pune	Hinjewadi	5,500 - 7,000	15
Pune	Ravet	5,000 - 7,500	9
Hyderabad	Bachupally	4,000 - 6,000	14
Hyderabad	Narsingi	4,500 - 6,500	18

Source: ANAROCK Research

edtech sector and losses within the cryptocurrency universe are pointers towards potential risks.

If inflation is not reined in soon, the Reserve Bank of India, too, may have to raise the benchmark repo rate by a large quantum. This could lead to demand contraction. The real estate sector, too, will bear the brunt.

Good time to enter

Prices have already risen in high-quality projects and could increase further. "Despite recent marginal increases, prices and home loans are still lower than they have been in some decades. The current price advantages will begin to erode over the next eight to 10 months. This is definitely an optimal time to invest and benefit from a lower cost of ownership," says Puri.

Opt for quality

Puri suggests buying quality. "Buy an under-construction property in high-quality projects belonging to reputed developers," he says. The best-selling configurations, according to him, currently include 2, 2.5, 3, and 3.5 BHK sizes, in projects that offer good lifestyle amenities. He suggests buying from strong listed developers and established local players who have adequate financial where-withal and can raise private equity capital. Such developers are likely to

deliver on time.

Make a value purchase

Some experts say you should only invest if you can enter at a discounted price. "At the time of launch, for the first 10-15 per cent of their inventory, developers are willing to offer a discount. Get to know the market price and invest if you can get a 15-20 per cent discount. Exit within 18-24 months once prices have come on a par with market levels," says Moorthy.

Avoid overpaying. "Paying excessively even for a premium brand or for amenities could erode your returns," says Pradeep Mishra, head of Sainik Estates, a real estate consultancy based in NCR.

To minimise downside risk, invest in a property that can be rented out. "You will earn about 2.5-4 per cent from rental yield. This will help you hold on to the property until buoyancy returns," says Ajay Sharma, managing director (valuations), Colliers India.

In upcoming areas, pay heed to infrastructure. "Areas where connectivity is set to improve tend to see price appreciation," says Mishra.

Pre-launches are coming back. Avoid them despite the lure of low prices. "In a regulator-approved project, the developer has to put 70 per cent of the money he collects into an escrow account. That improves the likelihood of timely completion," adds Mishra.

