

Ten Ways to Make Money by Investing in
RESIDENTIAL
Real Estate



Introduction

Apart from equity and gold, Real Estate has been one of the favorite choices for Indian investors. It has not only been a prudent investment choice but has also been associated with lots of emotional fervor. Despite having a special place amongst Indians, in the past few years investment into Real Estate has dried up as property prices in most of the major markets underwent a correction.

However, investors are once again entering into Real Estate markets, albeit in slower numbers. Most of the major markets have started showing signs of an early recovery, which is piquing investor interest. Meanwhile, as the equity market did not show very healthy signs in 2018, the interest in Indian Real Estate is further picking up. In 2018, out of 12 months, Nifty 50 showed a contraction in seven months on the back of global trade wars and capital gain taxes on equity.

As per a survey conducted by 360 Realtors, investors currently constitute around one-fourth of the overall transaction in Indian Real Estate (Housing Markets) indicating upbeat sentiments. It is a significant rise when compared to the results from previous surveys.



A handwritten signature in black ink that reads "Ankit Kansal". The signature is fluid and cursive, with a horizontal line underneath the name.

Ankit Kansal
Founder and MD, 360 Realtors

However, Real Estate like any other investment is a blend of art and science. It calls for the right balance between instinct and cutting-edge analysis of all the metrics in the market.

In order to guide discerning investors about how to earn money by investing in Indian Real Estate, I have prepared this White Paper which is both analytical as well as gut-driven. This White Paper is primarily based on my many years of experience in the Indian Real Estate markets. Very few readers would know that before forming 360 Realtors and helping it grow into the biggest Real Estate advisory in India, I was actively involved in and hence I know this industry quite well.

Brewing my years of knowledge as a Real Estate investor and an entrepreneur, I have devised 10 proven strategies of a prudent Real Estate investment game plan. If followed, these strategies can ensure the best risk-mitigated result for buyers.

I hope you will enjoy reading these strategies. Once again Happy Real Estate Investment!

A lot of people would argue that the Rules of Indian Real Estate are in flux, as the market has demonstrated divergent behaviors in recent times. However, I disagree. I believe that the fundamentals of the market remain the same. You need to do your research deeply and invest your money into potential locations with higher demand in the future. You have to look at it from a long-term perspective and hold if the intention is to get the best results. Likewise, if there are bigger funds at one's disposal, it is always the best idea to diversify across markets and asset classes. In order to further reduce risk, it is better to invest in reputed names and take professional advice.

Rule No. 01

Real Estate Investments are a Long-Term Game

Real Estate investment requires a lot of patience. Anyone with a buy-and-flip mentality should give it a miss. Investments are either done with a long-term or at least a medium-term perspective. There is very limited space for short-term investments.

Often called the traditional way of the buy-and-hold strategy, it can deliver the best result. Whether you are a seasoned Real Estate player or a newcomer into the world of Real Estate, the buy-and-hold strategy is the least risky approach to investment. By keeping the property for a larger period of time, investors can study the market behavior and accordingly take the right call when the market is most salubrious. The buyer can also leverage tax benefits and accumulated rental income that further helps in the reduction of risk.

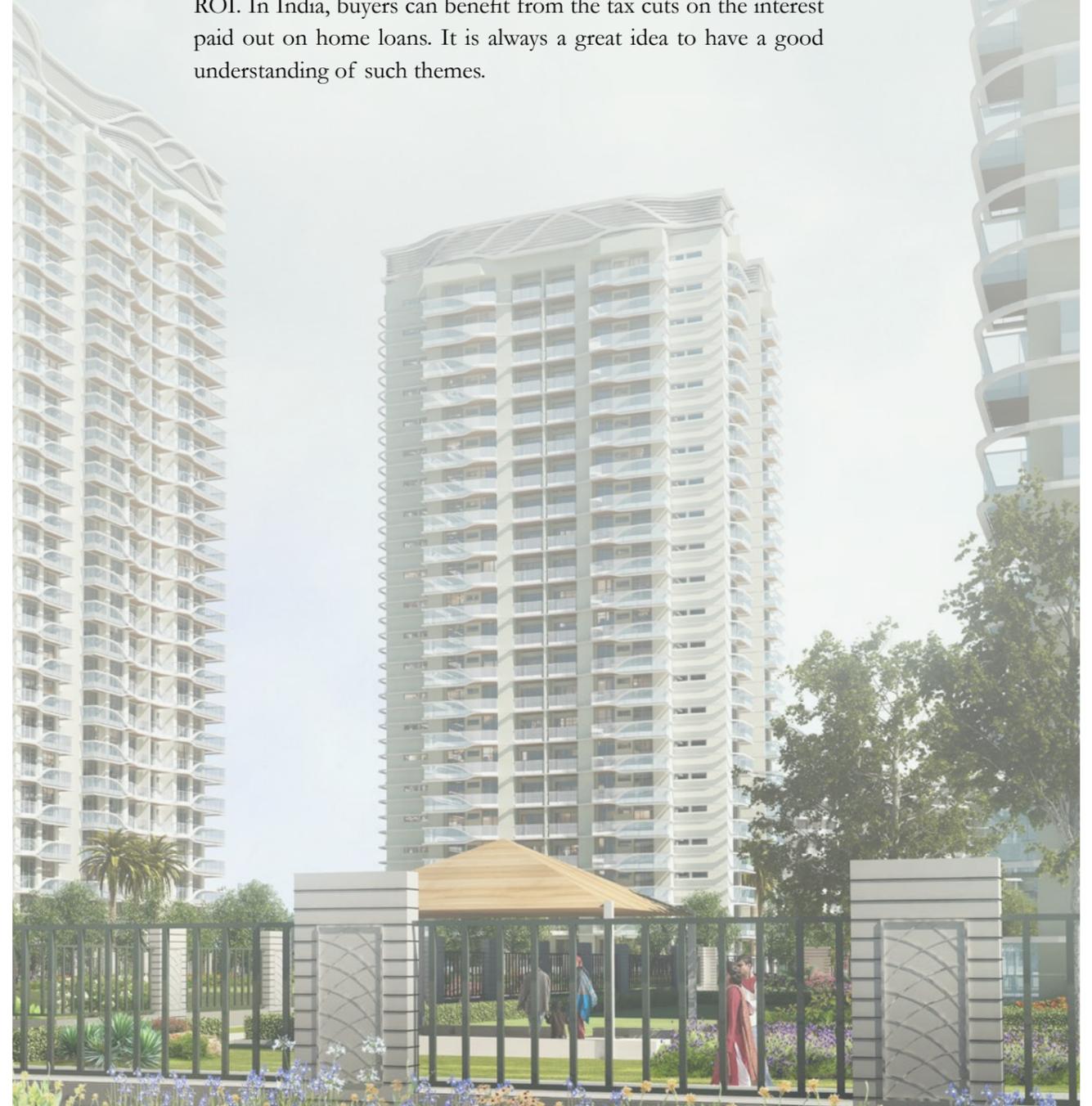
No matter how the Real Estate markets will evolve, the long-term investment strategy will continue to be a time-tested method of investment.



Rule No. 02

Do the Mathematics Correctly

Increasingly Real Estate investment is becoming a highly sophisticated instrument that calls for doing the prior mathematics correctly. Before jumping into Real Estate, it is essential to do some basic number crunching. Do a rough calculation on the expected appreciation and rental returns. Also, it is advisable to understand mortgage, down payment and tax calculations to arrive at the net ROI. In India, buyers can benefit from the tax cuts on the interest paid out on home loans. It is always a great idea to have a good understanding of such themes.



Rule No. 03

Deeply Analyze the Location

In Real Estate investment, location always plays a very crucial role as it is the defining factor in appreciation calculation. The potential returns from a location would largely rely on how the location is evolving. A location with new employment opportunities, better infrastructure development and growth in social amenities in the form of schools and hospitals will attract more demand in the foreseeable future. This will naturally result in higher appreciations.

Historical evidence has shown in the past that infrastructure development projects such as metro lines, airports and railways can give a facelift to the Real Estate market dynamics in the region. One of the best recent examples can be drawn from Hyderabad, wherein the opening of the metro-station belt has resulted in notable price growth in upcoming markets such as Miyapur, Gachibowli and Nagole.

In a similar fashion, demand also gets a boost with the emergence of new IT parks, business parks, SEZs and manufacturing hubs. In the past, locations in Bengaluru such as Whitefield and Electronic City got a huge thrust in housing demand due to the development of IT parks in the vicinity. Likewise, in Pune, the western and eastern suburbs are demonstrating notable growth in property prices due to high-scale IT parks and business centers in the location.

In the near future as well, IT parks and SEZs will continue to play a crucial role in defining housing demand by creating more employment opportunities.

Rule No. 04

Analyze the Rental Rates Accurately

While calculating Real Estate investment, often investors focus too much on capital appreciation without giving much thought to rental yields.

Compared to the global cities, it is true that due to high property prices, in India the rental rates are generally not very attractive. In an upcoming market such as Poland and Malaysia, one can make annual rental yields to the tune of around 4-5% easily. In other emerging markets such as UAE and Indonesia, investors even make higher yields to the tune of around 7%. In contrast yields in Indian cities are moderate and mostly range between 2.5-3%.

However, a value of 2.5% still makes sense and can be a source of recurring income for the investor fraternity. Hence, rentals should not get missed out on the investor radar. Similar to paradigms pertaining to appreciation growth, investors should keep a close eye on the rental patterns by scrutinizing the demand evolution.

Rule No. 05

Follow a Market-Agnostic Approach

In Real Estate, it is natural that one has the penchant to invest in their own city. However, in the modern world of Real Estate, one has to maintain an agnostic approach if the intention is to win. India is a vast country with hundreds of markets. Despite a regional aggregate, different markets behave in a unique fashion. Even amidst a bullish market, there are markets/cities/micro-markets that are moving slowly. Likewise, even amidst bearish markets, there are markets/cities/micro-markets that show positive momentum.



For instance, recently, the overall market sentiments have been bottoming out in the country with either a downtrend or stable sentiments in most of the markets. However, despite sluggish growth in Indian realty during 2015-2017, there were markets that have showcased positive rise in prices. Areas around the Hyderabad metro project have shown a positive movement in average property prices on the back of increased demand. In Pune, property prices in the Pimpri Chinchwad Municipal Corporation (PCMC) have been demonstrating acceleration stemmed by affordable projects and demand from the IT/ ITeS workforce employed nearby.

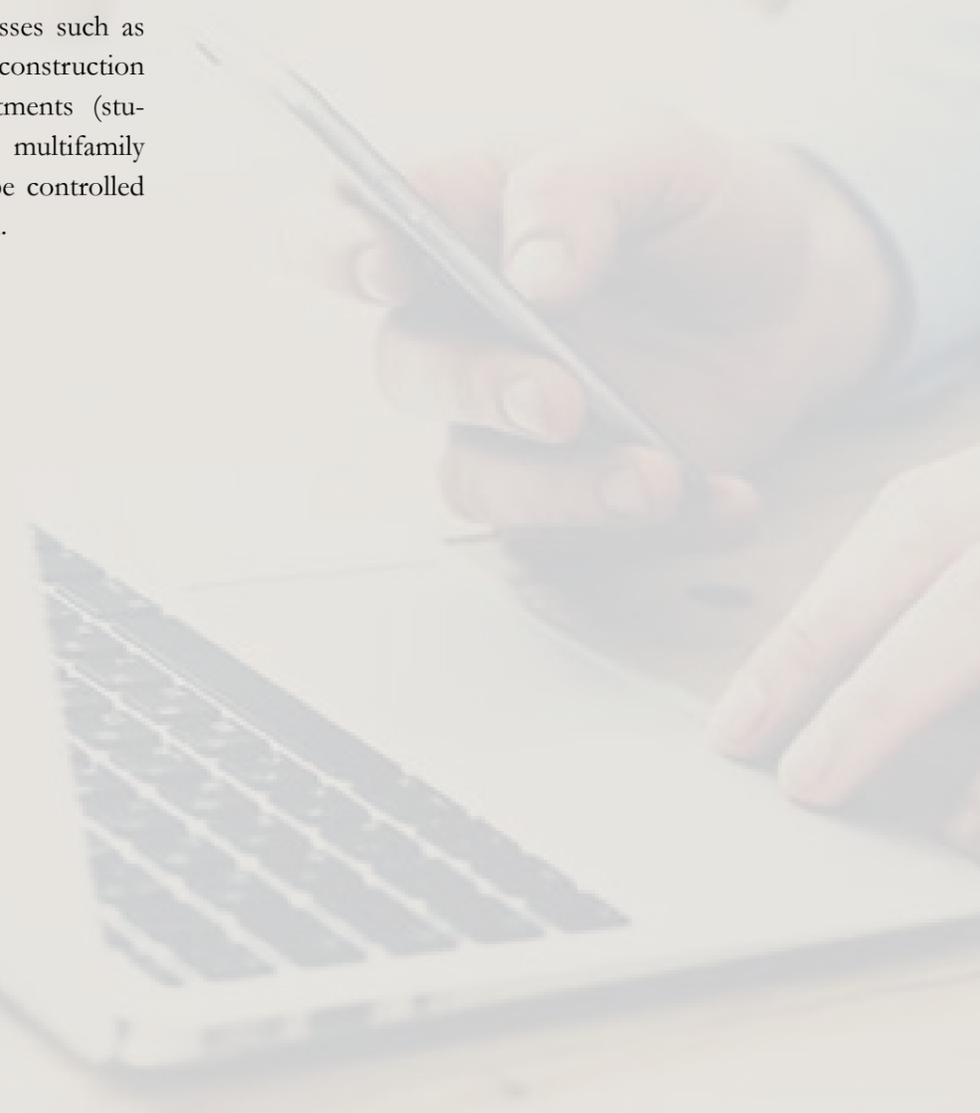
Similarly, there have been numerous pockets across Delhi-NCR, Mumbai Metropolitan Region (MMR), Chennai and Kolkata that are chronicling bullish sentiments despite the overall outlook indicating a moderation in demand.

Seasoned investors with an intent to maximize their wealth should always look beyond the hometown syndrome and keep a ringside view on the overall market dynamics. Based on the same, they should identify the profitable markets and bet on them.

Rule No. 06

Follow an Asset-Agnostic Approach

Similar to the above point, it is also essential that investors should adopt an asset-agnostic approach and choose their investments carefully without any pre-dispositions involved. Even within the residential Real Estate segment, numerous asset classes have emerged with each showcasing variations in capital growth and rental yields. Hence, if one has a larger fund at their disposal, they can choose between numerous asset classes such as ready to move-ins, under-construction properties, small size apartments (studios and micro-homes) and multifamily homes. Thus, the risk can be controlled and returns can be optimized.



Rule No. 07

Bet on Grade-A Players

Nowadays, it is always advisable to bet on reputed brands in the Indian market. Real Estate is always a high-risk game as the stakes are high. Many investors have to pull in a lot of capital to purchase a property. Hence, it is always a wise thought to go with some of the best names in the industry as it can mitigate the risk to a large extent.

There have been cases in the past wherein even big developers have defaulted. However, with a reputed name, the chances are always less and the investments are largely secured. As volatility in the overall economy has proliferated in recent times, it further makes sense to go ahead with well-known names in the market.

As the overall Indian housing market is marked by vigorous structural reforms, the role of Grade-A developers will further enhance. It is believed that in the near future, smaller developers will be taken over by big players thereby creating more structure, uniformity and organization in the market. This will eventually also lead to more demand for Grade-A players.

Rule No. 08

Avail Services from Professional Advisories

In general, market risks have increased all around the globe pertaining to the economic slowdown, global trade wars, fluctuations in oil prices and geopolitical crisis. As India is cohesively integrated with the world economy, the Indian market also suffers from a growing risk of uncertainty. The heterogeneous nature of the market coupled with information misrepresentation further enhances the chances of risks leading to suboptimal investment.

Amidst such changing dynamics, it is essential for investors to conduct thorough research, due diligence and analysis before zeroing in on the purchase call. However, in an individual capacity, it is not always very easy to do prior homework. Thus, it is advisable to take professional services before taking the investment decision.



In recent times, numerous well-reputed advisories have emerged such as 360 Realtors, Anarock, Investor Clinic and Square Yards. In a short span of 3-4 years, these advisories have made a formidable reputation in the market. Equipped by state-of-art analytics, these advisories have detailed information on market-wise price trends, appreciation rates, demand-supply equation, rental markets and much more.

In order to offer last leg support, they have a huge sales force that works as individual consultants to buyers and handhold them throughout the buying process thereby making the entire property purchase cycle very convenient. Interestingly, these big advisories do not charge anything from the end users as their revenue model involves charging from the developers against each sale closed.

To further extend their service, brands such as 360 Realtors also have extensive CRM teams that can update the buyers during the post-purchase cycle on all the required details including payment plans, payment terms, construction updates and much more.

To minimize risk and take the best possible buying decisions, it is advisable for discerning buyers to consult professional advisories rather than navigating the complex Indian realty markets blindfolded. Consulting with seasoned Real Estate professionals will not only result in buyers' convenience but also ensure the best possible ROI thereby giving complete peace of mind.

Rule No. 09

This Might Be One of the Best Times to Invest

Property prices in most of the markets have corrected in recent times. For another six months, the market will be mostly buyer-driven as there is still a lot of inventory available in the market. Hence, the current time might be quite conducive to make an investment as it can ensure good deals for the buyers. In order to reduce the existing inventory available, many developers are also coming up with attractive payment plans such as subventions, assured rentals and freebies.



This can further reduce the risk to enter the Real Estate market. In a typical subvention, one has to pay just 10-15% of the price of the property and the remaining can be paid out post possession. In addition, some developers also offer assured rental schemes for a fixed time period that further makes the transaction very pocket-friendly. Once sentiments turn bullish from bearish, such attractive schemes might start drying up. Hence, it will be wise to make the move now if someone wishes to maximize profit realization.



Rule No. 10

Get Updated on the Markets

Access to actionable insights is the key to win in the current Indian Real Estate market. Indian Real Estate in the current manifestation is highly heterogeneous and there is a multitude of underlying themes and patterns. Despite how the overall aggregate market looks on the surface, individual micro-markets and cities have their own underlying nuances. In order to stay ahead in such a vast and rich Real Estate market, it is essential for the investors to be updated on the latest happenings and trends.

Even we are doing our part to create more transparency in the market. In order to offer transparent insights to buyers and bridge the existing information gap, as a leading advisory, we are taking proactive steps. We have started the Realty Roundup Services, which can be freely accessed by signing in on our platform. Realty

Roundup is an everyday mailer that contains the latest curated Real Estate news. This will help the Real Estate buyers to get access to high-quality news and content on the Indian housing market.

Likewise, we also keep churning out quality reports and unbiased top-of-the-line analyses to help our readers stay updated on the latest happenings on Indian Real Estate. Research reports and market analyses are not new to the Indian market. However, most of such reports are primarily targeted at institutional investors. The specialty of our reports is that they are compiled keeping individual investors and property buyers in mind.

To further augment knowledge, discerning buyers should attend Real Estate events and networking opportunities. Even when someone is not planning to buy, attending such events can help them gain a lot of knowledge about the market in the longer run.



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