### DNA-Dna Of Property

Date: May 28, 2016 Edition Mumbai

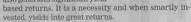
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# with a limited budget

Insights on the scope for investing in real estate and key options available to individuals

### Vikram Goel, CEO - HDFC Realty

Yeal estate usually amounts to a larger part of investment for a prudent investor. It fulfils the aspiration value for an investor and depending on asset class, it also generates significant yield



# How it compares to gold or the share

All investment instruments have their own positives and negatives which includes avenues such as gold or real estate. Though real estate traditionally has given steady returns and has never had a sharp impact, it is slightly a long term investment as compared to gold as far as liquidation is concerned.

It is also important to understand that in most cases there is an indirect impact like tax savings, etc., which are also allowable in real estate investment. Alternately, in high return targeted investments such as in equities or commodities, one will not yield these savings.

### Where to invest?

In most of the cities, development has reached the periphery of the cities where budget homes are being constructed and where we can find easy entry points. Investors with limited budgets can take exposure in budget homes, which also have a tax saving potential.



Deep Kantawala,

Group CFO & Head. ICS Corporate Advisors Pvt Ltd

the second half of 2014 has not found any takers so far. However, income or yield compression. the Indian Government seems commit-

ted to this cause as is evident with the raft of changes, particularly from a taxation perspective, announced in the last 2 Union Budgets.

Real estate has always been the fancied asset class for Indian investors, However, the large ticket size

and the segment's illiquid nature acted nounced by the government has boostas a deterrent to an extent. For in- ed the attractiveness of REIT's. stance, until a few years ago, it was impossible to imagine for a small time retail investor to have a stake in actual The net annual return after all REIT's real estate with a mere Rs 2 lakh in his costs/ charges in the hands of the inkitty. This has however become a reality today with the announcement of 7%-9% whereas the overall return is the REIT regulations. Investors now

### Besides the low entry cost, REIT's will help investors to:

for most of them.

- · Diversify at reduced risk.
- Earn reasonable annuity income leases with its down. tenants
- · Liquidate invest- Transparency

agement services and get spared erty ownership, rentals and yields. from the hassles of due diligence, complicated paper-work and multinle taxes

### **Dual benefits**

ally decide whether the retail investors ter is about to unfold.

will find REIT's attractive is the expected return on investment. On this front, an investor is expected to get the dual benefits of annuity returns and he REIT's regulations notified in potential capital appreciation on exit either due to upward revision of rental

Presently, rental yields on good com-

mercial properties in India average between 9 to 11% based on the quality of the asset, its location, developer, etc. As per its constitution, a REIT is required to distribute 90% of its income as dividends and to this end: the recent waiver of dividend distribution tax an-

## Good returns

vestor is expected to be in the range of likely to be in double digits owing to will have options to invest and own capital appreciation. This makes REportions of large annuity yield IT's quite attractive when compared to bearing assets - shopping malls, say bank deposits where the current hotels, office buildings, something long term returns are below 7.5% and which was otherwise out of reach expected to fall further as interest rates are on a downward trend.

### Liquidity

From the industry perspective, REIT's specifically, will provide developers with an avenue to monetize completed assets and to raise capital. This will infuse liquidity in the system which will not only give a fillip to developas the underly- ment of more real estate and infraing assets would structure, but it should also help in have long signed bringing cost and consequently prices

ments within a rea- It may also increase the transparency sonable time-frame as in the sector which is infamously the RIET units will be known for its difficulty in accessing information - REIT's will make it easi-Avail professional asset man- er to get accurate information on prop-

Thus. RIET's bodes well for attracting and sustaining foreign investment and creating a congenial environment for development of a structured real estate investment Another key aspect which will eventu- market in India. Perhaps, a new chap-