



***ALTERNATIVE
INVESTMENT
OPTIONS –
REAL ESTATE***

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**CVO CHARTERED & COST
ACCOUNTANTS ASSOCIATION**

*AAP YAHAAN
AAYE KIS
LIYE?*

**IS REAL ESTATE
GOOD
INVESTMENT?
WHERE TO INVEST?**





OR WE LEARN FUNDAMENTALS

Like any investment product, RE has science

- History
- Basic Economics
- Crystal gazing

COMMON SENSE



HISTORY



TIMELINE



Early 1900s

Pre Independence
Industrialization
Migration Starts
Chawls come up



1948 onwards

Housing Minister Gulzarilal Nanda passed the Housing Bill
Ambedkar Nagar in Worli - **first housing project constructed**
Tagore Nagar, Vikhroli built in 1962-63 - **biggest housing project in Asia**



The 90s

Liberalization - Rising Middle Class - White collar employee - Housing Loans - Branded Developers
Corruption – FSI flouting – No quality – No service



Partition
Massive Migration
Paghdi system the norm



1947



True Urbanization begins
Politician – Bureaucrat – Underworld – Developer Nexus begins
Slums start mushrooming
But also MHADA is born which did awesome work



1970 onwards



Reforms: DeMo – RERA – GST – IBC – REITS – NPA – ED/CBI

Rising Incomes – Stock Market Boom – Nuclear Families – Redevelopment – Infrastructure
Listed Developers, Corporate Houses – Trust – Best Practices



2014

ECONOMICS



NO ROCKET SCIENCE

SUMMARY

- Demand-Supply Dynamics
- GDP – Job Creation | Wealth Creation
- International Developments
- Where are the Drivers? CBD | Infra | Policy
- REPO rates
- Quality

Investment Same as any Product

CRYSTAL GAZING



**Lets do it
together**



MATRIX

	MUMBAI	PUNE	NCR	BENGALURU
RESIDENTIAL	A	B	C	D
OFFICES	E	F	G	H
SHOPS	I	J	K	L
LAND	M	N	O	P

RESIDENTIAL FOR SELF USE

PROS

- If you the requisite funds available (Savings + Sale value of old flat)
- If you have preapproved housing loan
- If you like a house and it fits your budget (20% of house value + amenities + “parking” + maintenance corpus + SD + Regn + Brokerage + fit outs etc.)
- There is no better time than now

CONS

- If you wait for a bargain and prices go up by even 10%, your entire working may go for a toss
- If borrowing, you have to sufficient job security
- You are reasonably certain that you will not need to sell in a hurry due to emergency or moving cities etc.

RESIDENTIAL FOR INVESTMENT

PROS

- Housing loan at its cheapest today at 6.75%
- If for about 10yrs or more then stable investment
- In a good locality you may earn steady rentals even if at a very low rate of sub 2% pa on market value. But if the market value keeps rising the yield on historical cost will be higher. However renting can't be the primary reason for investment. You will get your best yield only on sale. Going forward expect an annualized appreciation of 5% over 10 years.

CONS

- If you have EMI then rent will not suffice. In many mofussil areas, rentals barely cover maintenance and taxes.
- Most illiquid and you may not get best prices in distress sell.
- Consider income tax implication of a 2nd home

OFFICE

PROS

- Rentals in the 5-7% pa range
- Chances of getting corporate tenants
- Good locations hardly see vacancies
- Prelet properties are very easy to sell

CONS

- Property loans not as cheap as Housing loans
- A grade developers largely constructing REITable premises down.
- Quality tenants needing large developers going to above properties
- Strata sales volume low and quality low

SHOPS

PROS

- You can buy the smallest size possible
- Rents for shops on high street can be as high as 9% pa
- There is always demand for shops in good locality with good frontage and visibility

CONS

- Shopping moving to Malls (generally owned by one large investor)
- Bigger threat is from online shopping
- Generally command high lock-ins as the fit-outs by tenants is very high
- Sudden developments like street becoming one way or no entry, skywalk coming up in front. Hawkers etc. are risks

LAND

PROS

- Highest returns possible
- Any ticket size possible
- If invested within periphery of a metro, you cant go wrong. Town planning generally happens in concentric circles
- You can bet on zone change
- Tough negotiation possible

CONS

- Holding period very high. At times one generation
- Titles are a major issue
- Squatting another possibility
- Idle land begets no income.
- On the contrary sucks in money for security etc.
- Difficult to aggregate large contiguous parcels

REITS/INVITS

PROS

- Akin to a MF
- Small ticket size possible
- They invest in commercial rentable property only hence very safe. Similar to debt fund.

CONS

- Age old instrument overseas, new in India
- Still evolving
- Restricted to certain properties only
- Only 3 schemes so far

OBSERVATION OF DECISION MAKING

VIEW

- 70% of existing home buyers move within a radius of 5 kms only
- Expats buy close to office
- 90% investments in city of residence or home town
- Fully loaded buildings & gated communities flavor of the season
- Lady of the house is the decision maker as far as homes go

MY ADVICE

(AND THE MILLENNIALS ARE SERIOUSLY FOLLOWING)

- We all have been making a cardinal mistake: mixing two objectives
 - **Quality of life**
 - **Quality of investment**

What if we stayed on rent in an area
where we would really love to

and

Invested in RE anywhere that it'll fetch
the best appreciation



FUTURE OF RE AS INVESTMENT

VIEW

- Gone are the days when prices doubled in 3-5 years
- Now comparable with FD rates for residential, debentures for commercial and MF for REITS. Land can perhaps beat a blue chip share over few decades.
- A must for everyone with a large investment portfolio. RE lags bull run at the SE. gains from shares are generally invested in RE.
- Safe from calamity/theft perspective
- With reforms has become safe to buy. With land titling and title insurance will become even more safe

A photograph of a modern glass skyscraper with a grid-like facade, partially obscured by a white diagonal shape on the right side of the slide.

*“ONE COMMODITY
GOD HAS STOPPED
PRODUCING IS...*

LAND”

Pranay Vakil



THANK YOU

Naushad Panjwani

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Chairman**