



Scouting for a luxury property? Strike a deal right away

If the current uptrend in demand persists, prices could begin to inch up

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The real estate market witnessed a slowdown starting from around 2014-2015, with the luxury segment being among the worst affected. However, the segment appears to have turned around in recent months. If you have been scouting for a high-end property, this is a good time to close a deal, as prices can only head north from current levels.

Number of transactions rising

Transactions in the luxury segment (defined for this story as housing priced at ₹10 crore and above) have risen in the Mumbai Metropolitan Region (MMR). "The registration records for MMR show that the number of transactions for properties of ₹10 crore and above is up around 20 per cent this year over the previous one," says Anand Moorthy, business head, data intelligence and asset management, Square Yards. He adds that a similar trend has been witnessed in Delhi, Bengaluru, Hyderabad, and Pune.

According to ANAROCK Research, the share of housing sold at the premium end of the market (which it defines as those priced at above ₹1.5 crore) has arisen to 12 per cent in the first three quarters of 2021, compared to 7 per cent in 2019, and 6 per cent in 2020.

Real estate consultancies that deal in luxury housing have seen an uptick in their business. "The revenue of our India business grew 40 per cent in the year ended March 2021. We anticipate similar growth in the current financial year, going by the transactions concluded so far," says Samir Saran, managing partner, India Sotheby's International, which facilitates transactions mostly for properties priced between ₹13 crore and ₹30 crore.

Desire for bigger homes

The turnaround in the luxury segment began in August 2020. "Larger size, a key characteristic of a luxury home, became a priority for many during the pandemic," says Anuj Puri, chairman, ANAROCK Research. According to industry experts, luxury properties are

HIGH-END PROJECTS AVAILABLE TODAY				
City	Project	Developer	Starting price (₹ cr)	Project status
Bengaluru	Nitesh Park Avenue	Nitesh Estates	10.56	Mid stage
Bengaluru	Prestige Edwardian	Prestige Group	10.55	Ready to move
Delhi	DLF Kings Court	DLF	18	Ready to move
Delhi	KST Chattarpur Villas	KST Infrastructure	14	Delivered
Greater Noida	Gaur Mulberry Mansions	Gaurs Group	14	Mid stage
Gurugram	Krish The Eiffel	Krish Group	27	Delivered
Gurugram	DLF The Camellias	DLF	18	Ready to move
Gurugram	DLF The Magnolias	DLF	14.5	Ready to move
Gurugram	Ambience Cairtriona	Ambience Group	11	Ready to move
Gurugram	Puri Diplomatic Greens Villas	Puri Construction	10.62	Delivered
Mumbai	HBS Tower	HBS Realtors	15.81	Under construction
Mumbai	Lokhandwala Minerva Mahalaxmi	Lokhandwala Infrastructure	13.86	Under construction
Mumbai	Radius One Mahalaxmi Phase 1	DB Realty	10.46	Under construction

Source: Square Yards Research

usually of 3,500-4,000 square feet in Mumbai and of around 6,000 square feet in other cities.

Attractive prices have played a part in the revival. "Prices in the luxury segment corrected by 15-20 per cent between the start of 2019 and March 2020. They have not moved up since," says Moorthy. Adds Puri: "High net worth individuals (HNIs) and non-resident Indians (NRIs) have realised this is a good time to enter this segment as prices are attractive and can't possibly go lower."

Interest rates have touched new lows, with banks willing to offer home loans to customers for as low as 6.4 per cent.

The state governments of Maharashtra and Delhi have also played a part in the turnaround. The government of Maharashtra reduced stamp duty rates from 5 per cent to 2 per cent (between August 2020 and December 31, 2020) and subsequently to 3 per cent (between January 1 and March 31, 2020). The

Delhi government's reduction of circle rates by 20 per cent last year also amounted to a reduction in stamp duty.

The bull run in equity markets has also contributed. "The money people made in equities is being directed into buying luxury properties," says Moorthy.

Many promoters of start-ups are putting the money derived from stake sales into luxury housing. Tax planning is a major consideration for them. "According to the provisions of Section 54F of the Income-Tax Act, individuals and Hindu Undivided Families (HUFs) can claim exemption on long-term capital gains arising on the transfer of a capital asset by purchasing or constructing one residential house property in India," says Suresh Surana, founder, RSM India.

Location is key

Buyers must give the highest weight to location in their purchase decision. "Location plays a significant part in deciding whether a property will

appreciate in the future. Properties situated close to prominent commercial establishments tend to appreciate more," says Puri. Saran adds that the prestige of the zip code becomes the key consideration factor in purchase decisions in the luxury segment in metros like Mumbai and Delhi.

Second homes have become an important constituent of the luxury segment. Demand for such homes is high in Goa, Alibaug, and hill stations like Dehradun, Rishikesh and Mussorie. "Here, aesthetics plays a significant part. Customers want houses that offer a view of the sea or the mountain," says Saran.

Comprehensive due diligence is a must

Check the title, especially when purchasing from the secondary market. "The title should be marketable. There should be a trail of documentation since the property was allocated to the first buyer," says Saran.

Watch out for issues such as disputes within the seller's family. "Neither the property nor the seller should be embroiled in court cases," says Moorthy. He further warns that with a lot of non-performing assets coming into the market, buyers should be wary of being sold a mortgaged property.

Check the prices at which recent transactions happened within the building in which the property is located. This will ensure the price you pay is in sync with market rates. Also, get the area of the property measured. This is imperative given the high per square foot rate of these properties.

Before buying an under-construction property, check the builder's financial capacity. "Building a luxury project requires a huge sum. If the builder does not have the necessary liquidity, your investment could be at risk," says Puri.

Finally, luxury properties come with high maintenance costs. If you are not going to live in the house yourself, and don't plan to rent it out (for fear that the tenant may not vacate), you will have to dole out a considerable sum from your pocket for maintenance.