

18
in US \$
-1.1
-1.6
5.9
7.9
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3.2
4.5
5.2
nberg

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Plots work better for investors in realty

While plots offer the benefits of lower transaction cost and quicker possession, investors need to watch out for risks like unclear title

VINOD BEHL

In the wake of a large number of housing projects getting stalled or facing long delays, both end-users and investors are today shying away from under-construction flats. It isn't just the development risk, but also the high transaction cost (12 per cent goods and services tax on under-construction property) that has acted as a deterrent. In such a scenario, buyers are increasingly veering towards plots and plotted developments.

What's on offer: Plots are a win-win for both developers and buyers. While developers are able to do brisk sales and generate much-needed cash flow, buyers can avoid risk and go for a safe investment. Even rich investors are nowadays shying away from investing in luxury homes and are instead favouring this lower-risk investment option that comes with better appreciation.

Today, there are plenty of investment opportunities in plots at the pan-India level. According to Cushman & Wakefield, multiple township projects are available in the National Capital Region (NCR) — both in Noida/Greater Noida and



Gurgaon — especially on Golf Course Extension Road and Dwarka Expressway by well-known regional and national players. In NCR's Karnal, Signature Global City on NH1, a 30-acre development, as part of Deen Dayal Awaas Yojana of the Haryana Government's Affordable Plotted Policy, is doing brisk business.

In Bengaluru, Whitefield, Electronics City and Bellary Road offer good options. Godrej Properties has entered this segment with its Godrej Reserve project in Devanahalli. In other cities too, such options are available on the periphery of the city and along emerging growth corridors, such as parts of OMR in Chennai. In Hyderabad, areas in the city's northern and eastern parts and

some towards the south east, moving radially outward from Gachibowli — Kokapet, Kompally and Adibatla — offer plotted developments.

The pitfalls: There is no immediate tax benefit on repaying the loan taken to buy a plot. However, when one sells the plot, one can avail indexation benefit and pay tax on capital gains at the rate of 20 per cent, according to Sushil Mittal, chairman, Association of Certified Realtors of India. It should also be borne in mind that banks do restricted financing for lower tenures and at higher interest rates for buying plots.

When investing in a plot, one needs to guard against risks like flawed title, land encroachment, and land tied up in litigation. Says

Haris Bin Murshid, vice president-sales, Skydeck Residency, Greater Noida: "A lot of frauds happen where buyers are duped into buying government-owned land or plots under legal scrutiny." Another problem with plots is that transactions have a large cash component, especially in the case of agricultural land. Moreover, unlike constructed property, plots do not offer regular returns.

Opt for plots within gated projects: Investment advisors suggest it is better to invest in a plot offered within a gated community instead of standalone ones. To minimise risk, opt for a plot pre-approved by a public or reputed private bank. Says Manoj Gaur, managing director, Gaur Group: "Invest in a township project offer-

NOT A LANDMINE ALWAYS

- No hidden and maintenance costs
- No development risks of the kind in under-construction property
- Land is constantly in demand and its value keeps increasing
- Land generally gives higher returns though investment is lower than in built-up property
- Investment in land is more liquid and holding costs are low
- The transaction cost is

- lower compared to constructed property
- Plots appreciate faster in value than built-up property
- Developer can quickly set up trunk infra, offer faster possession than in constructed property. One can also customise home based on need and budget
- A flexible investment option in terms of size and price
- Can serve as collateral for business loans

ing developed plots. Choose a location that is well connected to highways and in close proximity to commercial centres.

Murshid adds that one should make a choice after doing a complete analysis of one's financial capability and needs. "If you are looking to invest for a few years until you are ready to invest in a flat, a plot in a location that has good development prospects is a good idea," he says. If you can afford only a lower investment amount but have a longer investment horizon, tier-II and III cities are a better bet.

As for whether this is the right time to invest in plots, Anshul Jain, country head and managing director, Cushman & Wakefield India, says that you may invest now provided you have a relatively long investment horizon.