

VOLUME #5
DECEMBER, 2017
THANE



What's Inside?

10 Rules of Commercial Real Estate Investing

Investing in commercial real estate is not as difficult as it appears

Pg. 05

Are You Moving Into Your New House?

Here's a handy checklist of things before you move in

Pg. 07

Quick Guide

AADHAAR to the rescue

Pg. 14

CONTENT

03 MESSAGE
About CREDAI-MCHI - Thane unit

04 MESSAGE
Vision and Mission

09 ADVICE

13 MAGIC WORDS TO SELL HOUSES

14 THE DOWN-PAYMENT AGENDA
How can you devise ways to arrange for your down-payment?

15 HOME BUYER ALERT

16 ASK AN EXPERT!

10 RULES OF COMMERCIAL REAL ESTATE INVESTING 05

Investing in commercial real estate is not as difficult as it may appear



05



07

07

ARE YOU MOVING INTO YOUR NEW HOUSE?

Here's a handy checklist of things before you move-in

12

Before securing a home loan, draw a budget and ensure that you handle your finances correctly



12



10

10

QUICK GUIDE

AADHAAR to the rescue



17

SAMPLE THIS! 17

Our experts address your dilemma

WE ARE "CREDAI MCHI - THANE UNIT"

A natural partnership with all city stakeholders MCHI-THANE has always been very clear that fine housing complexes and shopping malls cannot stand in isolation. A great City is the sum total of great buildings, great infrastructure and great people. MCHI has been committed to growth of the real estate sector and is credited with the harmonious growth and rise in quality and standards of construction in Thane City in the past decade.

Its aim as an Association of Developers has been to seek rational rules and regulations which are uniformly applied across the board as this will to a great extent result in speedy construction, cost reduction, fair pricing and a push for better quality standards at par with the developed world, with a high level of transparency.

VISION & MISSION

MCHI-THANE has always believed that a great city is the sum total of great buildings, great infrastructure and great people. MCHI-THANE believes that through strategic partnerships with the Thane Municipal Corporation, MMRDA and MIDC Thane which have already contributed substantially to the infrastructure, Thane can become a Great City with tremendous potential for Real Estate and Commercial Growth.

This will attract huge investments leading to ample lucrative employment opportunities for its citizens. The general climate of prosperity will trigger high investment and growth in retail and entertainment complexes. All that is needed for encouraging this virtuous cycle is longterm vision and mutual co-operation on the part of all stakeholders.

MCHI-Thane intends to reposition Thane City as:

- Well governed with good infrastructure
- Eco-Friendly
- Cost Effective
- Culturally Advanced
- Vibrant Cosmopolitan City
- In short, a great place to Live, Work and Play

10 RULES OF COMMERCIAL REAL ESTATE INVESTING

Investing in commercial real estate is not as difficult as it may appear. If you follow the principles of long term investing, you can earn much higher returns than most debt instruments. Keep the following points in mind while investing.

1. Location, Location, Location

Location is everything. Commercial properties provide returns through two avenues— rent and capital appreciation. Both are heavily dependent on the location. Look for locations where vacancy is less than 5%. This will mean that supply is in check and tenants are less likely to vacate, leading to higher rents and capital appreciation. A high vacancy location gives tenants options to move and renegotiate rents.

2. Quality: B, B+ OR A

Two buildings may be in the same location, but the one boasting better quality will always get rented first. It will also attract better quality of tenants. Needless to say it

will fetch the investor higher rents, better tenant retention and higher capital appreciation. Multinational tenants are always willing to pay a premium for quality. Look for certifications like LEED gold or platinum ratings or buildings that have nicer looking lobbies, more elevators, higher ceiling heights and better views. Higher quality properties are also more liquid and can be sold much faster.

3. Demand vs Supply

This is one of the first things a savvy investor has to analyse before committing to buying a commercial property. If the annual supply over the next 2-3 years exceeds historical demand, the rents and prices would come down. A disproportionately high supply will affect both new and old buildings. New buildings will

command lower rents as tenants will get more options in the market while tenants in older buildings will renegotiate rents and escalation clauses.

4. Market rent vs in-place rent

Let's assume that there are three properties available at more or less the same price but each with a tenant paying different rents.

- Building A has tenant paying Rs 10 and is selling for Rs 100
- Building B has tenant paying Rs 11 and is selling for Rs 105
- Building C has tenant paying Rs 9 and is selling for Rs 95

Which one would you choose? Many would say Building B as it has the highest rental return (10.5%). However, an intelligent investor will first ask, "What is the rent in the market?" meaning what are new buildings being rented at today.

*Courtesy: Kunal Moktan,
Co-Founder and CIO, PropertyShare.in*

If the market rent is Rs 9, Building C is the safest investment as the tenant is least likely to vacate the property. Tenant A and B will most likely renegotiate their rents or not pay the escalations when they become due. Another way to look at it is that you are buying an overrented asset at an above market price.

5. Quality of tenant

A good tenant can significantly increase the value of a commercial property. Look for bluechip multinational tenants and avoid smaller and unknown companies. Good tenants pay rents on time, pay higher deposits, stay longer

and increase the value of the property.

6. Interior fitouts

As an investor, you should always ask who has done the interior fitouts in the property. When an office is delivered in India, it is provided bare shell (like a garage). The tenant needs to do the flooring, ceiling, air conditioning, wiring and the interior cabins, conference rooms etc. Some tenants like to do their own fitouts while others ask the developer to do it for them for which they pay an additional fitout rent. A tenant who has done his own fitouts is likely to stay longer in order to sufficiently recover the costs.

7. Base rents vs fitout rents

Developers often dupe investors by showing higher rental returns by including the fitout rent component while hustling them for a higher price. But here's the catch: fitout rents are not permanent and are payable only for a fixed period (generally five years). So if the base rent is Rs 50 per sq ft and fitout rent is Rs 30 per sq ft, the tenant will pay Rs 80 per sq ft (Rs 960 per sq ft per year). If the normal selling price is Rs 6,000 per sq ft (where the tenant has done his own fitouts), a developer may try to sell the fitted-space for Rs 9,000 per sq ft promising a higher return of 11%. While this may sound enticing, the fitout rents will stop after 5 years dropping the return to 6.7%.

8. Lease structure

Commercial lease strictures are very different from residential ones. They

are structured as 3+3+3 or 5+5+5 meaning 9-year (or 15-year) lease with escalations every 3 years (or 5 years). They are also one-sided. The tenant can vacate at any time whereas the landlord cannot ask them to leave for the lease period. There can also be a lock-in period (generally 3 years) during which the tenant cannot vacate the property. While analysing an investment, the investor has to understand how the lease is structured and the inherent risks involved. In general, the longer the lock-in, the better it is for the investor.

9. Security deposit

Security deposits in commercial properties vary between 10 and 12 months' rent. Be careful when a tenant offers 6 months or less as it means that they could be looking at a short-term option or have cash flow issues. Startups typically tend to ask for smaller deposits and shorter lock-ins.

10. Diversification

We've all heard that diversification reduces risk. This is especially true in commercial real estate. If you invest all your savings in one property, you are exposing yourself to a higher risk. In case the tenant vacates, rents will stop while maintenance payments, property taxes etc will have to be paid. Investing in multiple properties across cities will reduce variance in income by diversifying property level risk.



ARE YOU MOVING INTO YOUR NEW HOUSE?

HERE'S A HANDY CHECKLIST OF THINGS BEFORE YOU MOVE IN

- Have I notified the change in address to all the relevant service providers (insurance companies, subscription services, identification cards, banks, etc.)?
- Have I informed the builder of any alterations or customisation my family or I would need?
- Have I checked the status of the alterations?
- Are connections to utilities such as water, electricity, waste disposal, sewage, etc in place?
- Have the occupancy / completion certificates been sought?



- Is the parking spot clearly identified, demarcated and reserved?
- Is the status of formation of housing association with necessary corpus collected and handed over by the developer?
- Have the outstanding bills at the current residence been paid off?
- Are the security and maintenance staff and systems in place?
- Have all the necessary documents been received in originals and copies?
- Is the receipt of necessary access stickers, cards, etc for servants and personal vehicles sought?
- Is the essential kit ready (a box with all the essentials that I would require – first-aid kit, bathroom essentials, copies of important documents, etc)?



- Courtesy: Times Of India -



*If you don't own a home,
buy one.*

*If you own a home,
buy another one.*

*If you own two homes,
buy a third.*

*And, lend your relatives
the money to buy a home.*

- John Paulson -
American investor and philanthropist

AADHAAR TO THE RESCUE

As Aadhaar is already linked to PAN cards, mobile numbers and bank accounts, linking it with real estate transactions would have a long-term impact. Experts feel it would be one

more reform at par with RERA and Benami Transactions Bill. However, it would have a far reaching impact on the secondary market, since it has a high number of cash transactions.

While the government clarified that the move is still in its contemplation mode, experts see it as another big reform in the making.

> By linking real estate to Aadhaar, all real estate deals will be on record

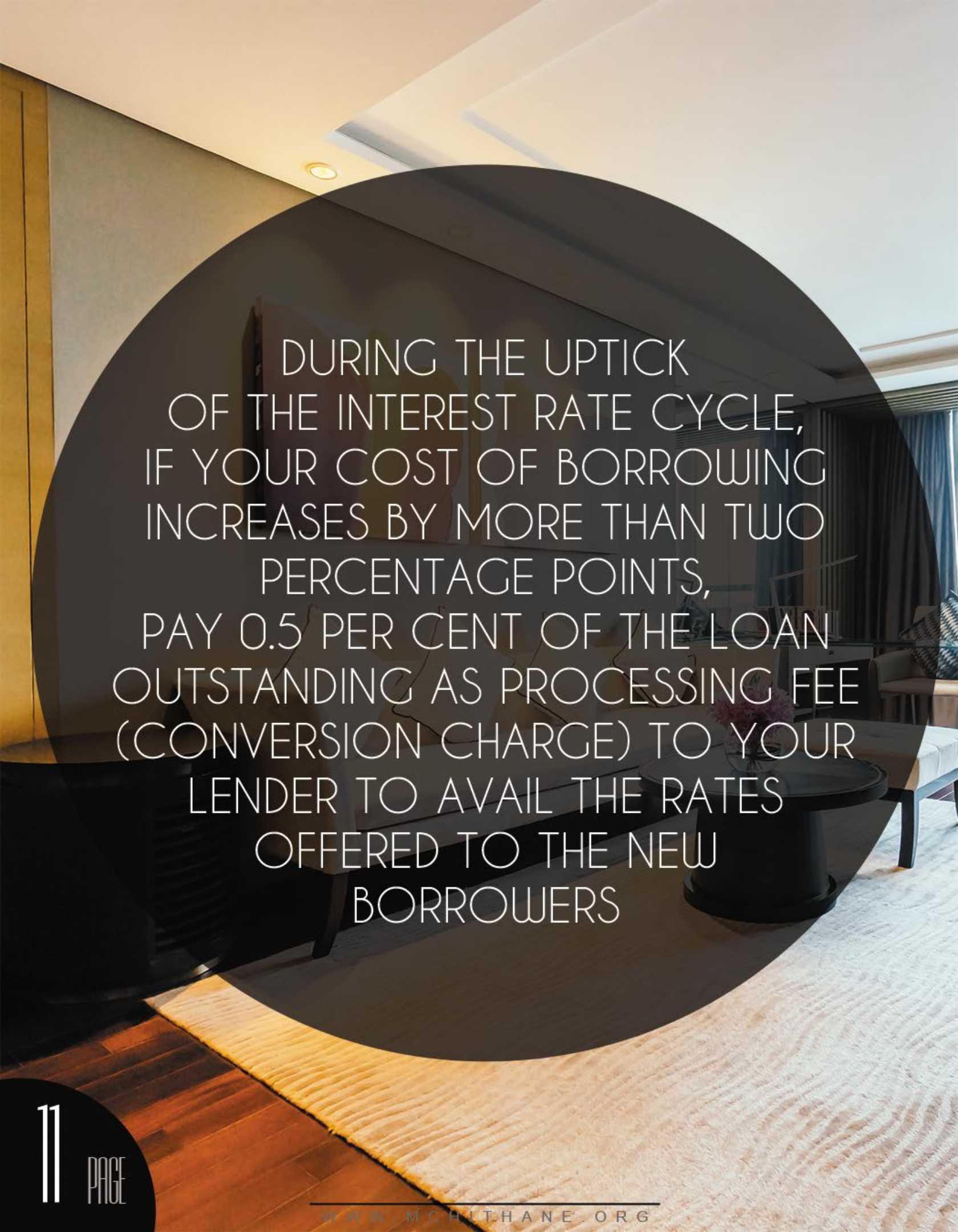
> Benami transactions can be tracked

> Realtors too are demanding digitised land records

> As Aadhaar is already linked to PAN and bank accounts, financial transactions will be monitored

> Aadhaar linking will lend transparency and credibility to the realty market



A modern living room with a large black circular graphic overlay containing text. The room features a light-colored rug, a dark coffee table, and a sofa. The text is centered within the circle.

DURING THE UPTICK
OF THE INTEREST RATE CYCLE,
IF YOUR COST OF BORROWING
INCREASES BY MORE THAN TWO
PERCENTAGE POINTS,
PAY 0.5 PER CENT OF THE LOAN
OUTSTANDING AS PROCESSING FEE
(CONVERSION CHARGE) TO YOUR
LENDER TO AVAIL THE RATES
OFFERED TO THE NEW
BORROWERS

BEFORE SECURING A HOME LOAN, DRAW A BUDGET AND ENSURE THAT YOU HANDLE YOUR FINANCES CORRECTLY



- Courtesy: Times Of India -

In order to allure buyers to invest in real estate, various banks and financial institutions are offering attractive home loans. Divided in EMIs, they indeed give much teeth to buyers to lock in their dream home. However, at times, the same deal can become a joke due to high prices resulting in more EMIs not payable on time.

Advises Sudhir Agarwal, a city-based developer, "While scouting for a home, buyers must ensure they keep in mind all the key elements (read: budget, loan, approvals, etc). One should do a SWOT analysis of EMIs vs other important aspects. Also, it is advisable that a buyer should not exhaust one's saving completely. There is no point to close a property deal, which one cannot afford."

It is important to review your budget at every scale. Amenities and facilities like gym, swimming pool, community hall, mini shopping plaza and much more, come at a huge price and are charged additionally too. Adds Agarwal, "There are many types of developers like the ones who construct high-end properties for the uber-class, whereas some offer the same high-end facilities, but the location may not be that 'prime' as compared to the high-end. Luxury facilities are now offered in residential projects, but all these come for a price and can become unsustainable in the long run for some buyers. Essentially, the buyer has to take a decision keeping aside all his emotions and be practical or else he could be in deep trouble."

The best way to manage borrowing costs is by actively managing your home loans. And it is not as difficult as it sounds. Banks and home-loan lenders often give new borrowers much better rates than existing borrowers. During the uptick of the interest rate cycle, if your cost of borrowing increases by more than two percentage points, pay 0.5 percent of the loan outstanding as processing fee (conversion charge) to your lender to avail the rates offered to the new borrowers.

MAGIC WORDS TO SELL HOUSES



Features



GREEN

Energy efficiency is very important to young buyers.



STORAGE

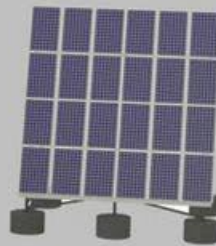
Everyone thinks they'll finally get organized with the next move.



LANDSCAPING

Ads with this word sold 20% faster than ads without.

Amenities



SOLAR PANELS

Homes with solar panels not only sell for more, but sell an average of about 5 months quicker than those without.



BRAND NAMES

Putting a name to the appliances is helpful in written ads. The name most associated with quick sales is Sub-Zero. Other popular ones include Viking, Bosch, and Whirlpool.



Adjectives



"Beautiful" is the most common word used in real estate ads. Words like that and "gorgeous" speed up sales by 15%.



Advertising as move-in ready speeds sales by 12%. Especially effective on East Coast.



Terms that reek of desperation, such as "motivated seller," actually prolong time on the market by 10%.

THE DOWN PAYMENT AGENDA

How can you devise ways to arrange for your down-payment?
Keep these pointers in mind before taking the plunge.

*I*n the literal sense, down-payment means the initial payment made when something is bought on credit. While planning to buy a home, we should keep in mind ways to finance the home in two parts, i.e. down-payment and EMIs. The thumb rule is that higher your downpayment, the lower your loan and monthly payment would be. Here are some tips:

1. If you have applied for a home loan, try and set aside some money from that;
2. Cut down your outings, vacations and frequent trips to malls. You will end up saving a lot of money;
3. If friends and relatives are the ones who you can trust, try to borrow from them;
4. Take up a part-time job for some time;
5. Raising money by selling your investments is generally not a good idea. However, you can opt for this, if necessary;
6. Gold loan is also a safe and simple way to arrange for finances. A gold loan is available for tenures starting from six months upto 48 months. As per prominent banks, one can avail a minimum of Rs 50,000 onwards. Gold loans for less than Rs 50,000 are also available for rural markets;
7. Maintain a separate savings account. Ensure that you never use the savings for any purpose other than your down payment and new home expenses.

HOME BUYER ALERT

The centre has given its nod to raise the carpet area for MIG under CLSS. The move will not only rejuvenate the realty sector, but also encourage developers to foray into the affordable housing market

"Home-buyers stand to gain from this move. The fence-sitters, especially, who were delaying their home purchase will now be given further push. Builders can also accelerate the sale of housing units, which were earlier missing out on a sizeable portion of MIG. The government remains committed to its headline mission of 'Housing for All by 2022', and has given a further impetus for homebuyers, home suppliers and home financiers by easing the ecosystem."

GAGAN BANGA
VC & MD,
INDIABULLS HOUSING FINANCE

"Changes are only in the size of housing units. As loan threshold and interest subsidy amounts remain unchanged, the revision would not have any significant impact from the buyers' point of view. However, from the supply side, many more projects will now become eligible to benefit from this scheme."

SAMANTAK DAS
CHIEF ECONOMIST &
NATIONAL DIRECTOR - RESEARCH,
KNIGHT FRANK INDIA

"The move is favourable for buyers under MIG I and II. I am one of the homebuyers who is looking forward towards making the most of this policy. While I am trying my best to understand my eligibility to avail it, I think more and more efforts are required to create awareness among masses about such schemes. I think not many prospective beneficiaries are unaware of such policies."

AJAY MAKHIJA
HOME-BUYER WHO WANTS
TO AVAIL THE CLSS

"Housing for All by 2022' has taken a huge leap forward with the increase in unit size of MIG houses under Credit Linked Subsidy Scheme (CLSS). The average middle-class in smaller towns and cities would now be able to afford bigger and better quality homes than before. On the supply side, private developers have improved incentives to increase scale and contribute to the emergence of new India."

JAXAY SHAH
PRESIDENT,
CREDAI NATIONAL

ASK AN EXPERT!

Queries can be sent via email on info@mchithane.org

What are the taxes that I need to pay before buying a property?

The buyer needs to pay the following taxes:

1. TDS or tax deduction at source on amount exceeding Rs 50 lakhs for the purchase of property excluding agricultural land.
2. Stamp duty
3. Service Tax - Applicable if the property is being purchased from the builder who conceived and constructed the project before offering possession to the buyer. If a 'ready to move in' property is purchased from the seller, service tax is not applicable.
4. Value Added Tax (VAT) - If applicable in the concerned state.

How can I qualify for exemptions on the Capital Gains Tax?

There are a few exemptions available for long term Capital Gains, if you:

- Buy or construct a new house: If you build a new house or buy one from the money you receive from selling a property, you are exempted from paying the tax on Capital Gains. However, the new purchase should be done either one year before or within two years of sale and the construction should be completed within three years from the date of transfer. The new property bought or constructed should not be sold within three years from the date of its purchase or date of completion of construction.
- Capital Gain Account Scheme- Through the Capital Gain Account Scheme (CGAS), you can save the received money in designated banks. CGAS helps you in buying time to look for suitable investments as it serves to inform the Income Tax department that you plan to invest the money received; but at a later date.
- Invest in Bonds- You can also invest in financial assets or bonds to save tax. Such bonds are issued by the Rural Electrification Corporation and the National Highway Authority of India and should be bought within six months of transferring the property. You can invest a maximum of Rs 50 lakhs through these bonds.

What should be the language of the registration document?

The language of the registration document must be the one that is commonly used in your district. According to Section 19 of the Indian Registration Act, the Registering Officer or the registrar has the power to decline registration of your document if it is presented in a language which is not commonly used in the district unless it is accompanied with a true translation of the language in use.

SAMPLE THIS!



You have stepped out for shopping and come across a store, which has a stunning dress as their window display. You instantly step in and try the outfit. However, it turns out to be a case of the dress looking great on the mannequin but not so much on you. Mannequins are typically the best choice for window displays. However, the mannequin may not necessarily represent your body type or personal style. Similarly, show or 'sample flats' basically serve the

purpose of giving the purchaser a sense of space and dimension. These flats are showcases, meant to incite interest and indicate the 'lifestyle potential' of the unit.

In such a scenario, should buyers trust 'what they see'? Ofcourse, you can - only with a little caution.

Sample flats (or popularly referred to as 'show flats') give one the much-needed clarity, thus facilitating the home-buying process. However, should you believe everything you see? Our experts address your dilemma.

For a buyer purchasing a flat in an underconstruction property, a visit to a show flat is a must. For an advanced buyer, it will help him/her evaluate the specification and seek alternative options like size of tiles, choice of colour, make of fixtures and changes in non-structural part of interiors to name a few. On the other hand, an early-stage buyer could get a real-time look and experience of how the flat would eventually look upon completion.

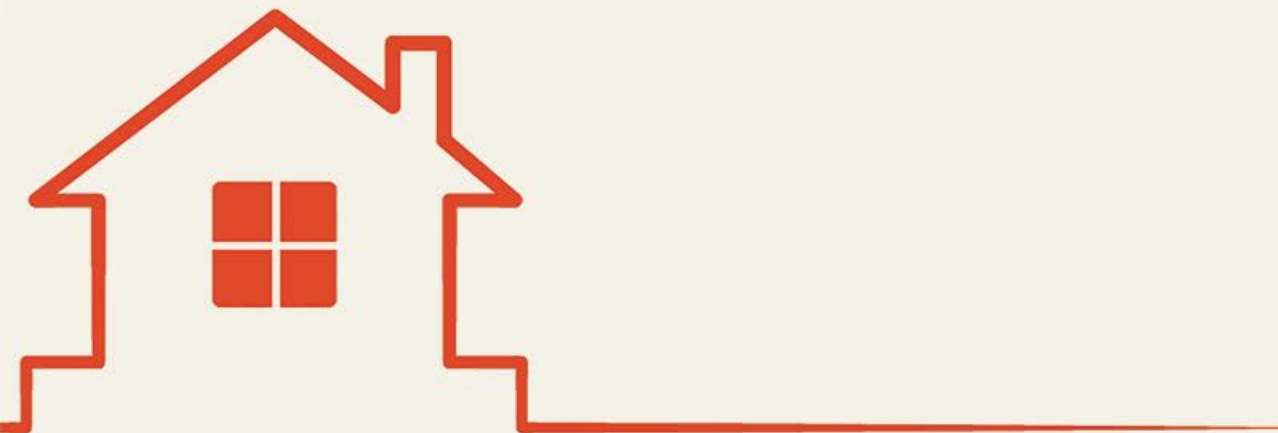
SAMSON ARTHUR
BRANCH DIRECTOR, HYDERABAD,
KNIGHT FRANK INDIA

Sample flats are an effective tool for the promoters (to woo their customers); however, buyers should not base their decision purely on them. A buyer should identify the needs and requirements of their house and then, take a call on whether the value attached to the property is worth it (or not).

YATIN SHARMA
COO
RE/MAX INDIA

How could the layout of the flat be best capitalised? Would the carpet area suffice my family's space requirements? Sample flats help you seek answers to the above questions.

PRADEEP SINGHVI
FOUNDER AND DIRECTOR,
HOUSEOME



- Courtesy: Times Of India -

WWW.MCHITHANE.ORG

PAGE

18



CREDAI - **MCHI**
THANE UNIT

Address: 501, 5th Floor,
Plot No - A-123/4,
Odyssey IT Park,
Road No. 9, Wagle Estate
Thane (W) - 400 604,
Maharashtra, India.

Website: www.mchithane.org

E-mail: mchithane@gmail.com
mchithaneexpo@gmail.com

Mobile: (+91) 9833 4583 23

Telephone: (+91) 22 2580 6868
(+91) 22 2580 6865