

A city to live in, another to invest in

Investors are looking to buy affordable property in different cities to make a profit.

Manish Basu

Arpan Bose, 27, works in a private life insurance company in Delhi. Having advised others on investment decisions for the last three years, he recently decided to diversify his investments into real-estate after setting aside money for life insurance and other equity market instruments.

Arpan left his home in Siliguri three years ago to work in Delhi. He has rented a 600 sq. ft flat in Gurgaon for Rs 12,000 a month.

He plans to buy a house to sell it later for profit in another city where he can afford one. Buying a house in Delhi or Gurgaon is beyond his reach with flats costing Rs 80 lakh and more. He has zeroed in on a 700-sq.ft apartment in Rajarhat, a developing area near Kolkata.

With the new generation workforce

spreading out across the length and breadth of the country cross-city investments in real-estate are fast gaining pace.

According to developers and property experts, the inter-city investments in property have grown over three times in the past three years and account for anything between 10 and 25 per cent of total sales across different projects.

Apart from people looking to return to their home towns in future there is also a class of high net worth individuals among the investors who look to buy property in different cities to make a profit, the experts say.

“The appetite for inter-city property buying comes from a rapidly growing mobile workforce working in organisations having a pan-India network. There is, however, a second category of buyers — the mezzanine investors — looking for capital appreciation over a period of three to five years in other cities where property prices are lower and growth potential is substantial,” according to Mr Rajesh Goenka, Chairman and CEO, Axiom Estates, a

London-based international property firm.

PURCHASE PATTERN

The highest inter-state transactions have been observed in Delhi, NCR and Mumbai, followed closely by Hyderabad, Pune, Chennai, Bangalore and Kolkata. While the overall sales in housing has slowed down in pockets recently, inter-city transactions by Axiom has grown by 50 per cent during January to July, he says.

Mr Abhijit Das, Regional Director, Jones Lang LaSalle Meghraj, said, “The proportion of high net worth individuals buying across different cities is definitely on the rise.” Currently, nearly 30 per cent of residential units in Kolkata are purchased by people from other cities, he said.

A person residing in one city buying a property in another is looking for a second house in the high income group (HIG) and upper HIG segment, says Mr Satyen Sanghvi, Director, Sales and Marketing, Merlin Group.

Mr Snehal Mantri, Director- Marketing, Mantri Group, said inter city

buying in its residential projects across the country is in the 10-15 per cent range and comes mostly from the potential end users.

Mr Avrajit Kar, Vice-President, Marketing and Business Development, South City Projects, said, “middle and lower income group houses are mostly for home-state end users, not meant for investments from other cities, as the returns are low and stamp duties on land are proportionately higher.” The tier-II and tier-III cities in the east such as Durgapur, Siliguri, Burdwan, Haldia, Guwahati and emerging cosmopolitan locations in the country such as ‘New Bombay’ and Goa may attract a growing proportion of cross-city investments, he said.

Buying a property from a different location has also become easy with developers targeting the national audience over the Internet and advertisements, said Mr Sanghvi.

The maintenance of houses in a different city is also not difficult anymore as there are a number of facility management firms taking care of the need, said Mr Kar.