

When herd mentality works...

Buying property in a group can help you save at least 10-15 per cent of the total cost

NEHA PANDEY

Thirty-three-year-old, Minal D'Souza, (name changed on request) was pleasantly surprised when she was able to book a flat at a good 10 per cent less – savings of ₹5-6 lakh on the ₹50-lakh property – in an upcoming Navi Mumbai project.

Her advantage: The property was bought through a group home buying company. Sites like Pune-based Home Buyers Combine and Mumbai-based Groffr.com facilitate home buying in groups of those with similar requirement(s). They conduct the due diligence of the property and the amenities and help negotiate with the builders for discounts of anywhere between 5 to 15 per cent of the property price.

Says Abhishek Khandelwal, vice-president, Groffr.com, "Higher discounts can be bagged on pre-launch or even before that. Projects near completion allow lesser discounts as the builder has already incurred all the construction cost. But, at any time you can get a cut of ₹3-4 lakh easily." The nego-

tiating power increases in a group. The builder is able to sell a cluster of flats in one go, which would otherwise have taken 7-10 days to sell. Most builders are not cash-rich and a group of 10 or 20 customers can get them instant cash.

Cost of a property can be broken up into the following – cost of land, planning and approval cost, construction cost, marketing, project finance, builder's margin and risk associated cost (in case the project is delayed).

Explains Nitin Degaonkar, MD of Home Buyers Combine, "Cost components like marketing, project finance, margin and risk-associated costs can be negotiated." For instance, five to seven per cent of the property cost goes towards marketing, which group buying can help reduce by three to four per cent. Similarly, risk-associated costs can be waived off for groups of over 10-15 buyers. This ranges between five to seven per cent over the mar-

gin that builders charge to cover up for the increase in cost, if the project is delayed.

Then, the project finance cost and builder's profit can be negotiated for a group. So, while you can get the per square feet quote reduced by ₹150-200 (roughly ₹1.5-2 lakh) in your individual capacity, group buying can get a straight cut of ₹500 or ₹5 lakh.

This, leads to lower tax payout. For a ₹50 lakh property in Mumbai, you would

have paid five per cent as stamp duty, one per cent each as registration cost and value added tax (VAT) and service tax of another 2.6 per cent – total 9.6 per cent of the property value or ₹4.80 lakh. If the property cost is down at ₹41 lakh, you will pay around ₹3.90 lakh.

To buy property through group buying companies, you can register with them. They get back to you with a property proposal, according to the requirements you mention. While Home Buyers Combine charges customers 0.3 per cent of the property cost, Groffr does not charge the buyers.

Obviously it's not a smooth ride. You need to be careful. Like D'Souza wanted a house with a huge balcony in one of the top floors for an unobstructed panoramic view of the city skyline. That comes at a price.

Khandelwal says it can be ₹50 per floor from the second floor onwards. As a result, D'Souza had to pay ₹650 more per square feet for the apartment on the 15th floor. "Buyers can save this cost by opting for a house on one of the lower floors," says Khandelwal.

BULK BUYING

Benefits a person gets when she buys a property in a group vis-a-vis buying individually

Discount you can bag individually	Discount you can bag in a group			
₹150-200 per sq ft on the base price	₹500 per sq ft on the base price	3-4% on the marketing cost	1-2% on the builder's margin	5-7% on the risk associated cost

Source: Home Buyers Combine and Groffr.com

