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As builders make attractive offers for second homes on the outskirts of Mumbai, experts say that while these properties are appreciating considerably, buyers should take hidden costs into account

WORTH A SECOND THOUGHT

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Home seekers have been closely monitoring investment options on the outskirts of the city, since property values have appreciated considerably since 2008, especially around Mumbai and Pune.

However, experts say that while second home investments are profitable in the long term, especially going by recent trends, buyers must be wary of some of the claims that builders make.

For instance, Aniruddha Bhagwat, managing director, Ideosphere Consulting, bought a second home in Moshu, near Pune, in 2010. In two years, the property prices have gone up by over 50% in the area. "This has given me the confidence to invest in another property in Talegaon now, where I'm expecting good infrastructure development," he says.

Bhagwat, too, is bombarded with attractive-

sounding offers from builders making exaggerated claims about infrastructure development in various areas. Some builders promise a 50% appreciation in value, and an assured buyback in a year. Bhagwat studied the market carefully himself before he zeroed in on his second investment in Talegaon.

"Although most properties around Mumbai have appreciated, the buyer has to make an informed decision, not based entirely on the developers' claims," says Nitin Degaonkar, managing director, Home Buyers Combine, a group buying real estate consultancy.

BENEFITS

Buying a property in the outskirts can be beneficial only if it is in the right location, and if buyers are not looking for a quick return. If the location sees good infrastructure development over time, and the buyer can wait

three to five years, then it will probably turn profitable, says Om Ahuja, CEO, residential services, Jones Lang LaSalle.

People buy second homes to spend weekends and getaway from a hectic routine. In addition, they make for a good vacation option. Lonavala, Karjat and Alibaug are some of the favourite second-home destinations because of their proximity to Mumbai.

Many builders offer a rent-back option, wherein they help buyers rent a house, and also look after its maintenance.

For some buyers, second homes can be a perfect retirement destination, while for others, it is a status symbol.

PITFALLS

Not everyone is optimistic about investing in second homes, mainly

because the property often turns out to be more expensive than the buyer's initially realizes, with hidden costs

Expenses like increased taxes, insurance, security, repairing and maintenance costs add up over time. If you do not visit the place too often, you also need a caretaker

While there are many builders who give a rent-back option and take the responsibility of maintaining the house, buyers must ensure that the builder doesn't cheat you.

"The property should have a decent appreciation potential, so that it fetches good returns in case it is to be sold in the future. It should also yield sufficient rent," says Ahuja.



EXPERT SPEAK

"There are a number of fly-by-night builders active in the emerging locations who mostly receive spillover demand. The issues of title clarity, construction quality and veracity of claims about upcoming infrastructure need to be closely examined."

OM AHUJA, CEO, residential services, Jones Lang LaSalle

"There is high demand for second homes located on the outskirts of the city as the homes there are affordable and make for great investment. However, buyers should take an informed decision not based on the claims made by the builder."

NITIN DEGAONKAR, managing director, Home Buyers Combine

BUYER SPEAK

"I bought a house in Alibaug three years ago. Initially, I used to visit the place quite often with my family, but last year we shifted abroad, so we hardly go there. I am thinking of selling the house because I see no point in putting it up on rent, and I can't afford to maintain it."

JAI MEHTA, stock broker

"My dad bought a second home in Lonavala, because we visit the place often. Though my family is from Mumbai, my parents plan to stay there after retirement. I think it is a good investment because the place is peaceful, beautiful, and not very far. However, the only problem is the maintenance of the house."

MEGHA SHAH, journalist

