



UNITED We Buy

Through combined/group buying, consumers can avail considerable reduction in home prices as the concept helps bridge the gap between buyers and developers

The rising real estate prices have been a cause of concern for many since the past few years. In Mumbai, as per media published estimates, on an average 80,000 flats are sold every year. However, last year only 40,000 flats were sold. Conventional demand supply logic would say that there would be a definite drop in prices making homes more affordable in the process. In fact, even if you have a ₹60 lakh budget, which would till just a couple of years back could afford you a decent 2BHK apartment in Kandivali or even Thane, it would today get you the same type of flat in the outskirts of Mumbai at times even beyond Panvel. The ₹1 crore - ₹1.5 crore flat has now become the most common bracket, add interest to this over a 20 year home loan and the flat actually costs you well over ₹2 crore.

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As a home buyer where does all this leave you – in debt for the next 20-25 years spending pretty much 40-50 per cent of your monthly salary servicing this debt. Add to this the common complaints of developers' demand for cash, delays in completion of projects, developers not delivering on promises, sub standard quality of construction, and strong arm tactics deployed by developers when confronted by innocent, aggrieved home buyers.

The developers on the other hand have their own set of problems. Such drastic drops in sales as witnessed in Mumbai has put immense pressure on developers. Dropping prices would mean lower profitability, even losses or their need to hold on to inventory, as is currently the case, severely affecting their capital deployment and future plans in both cases. Then you have the continuously rising raw material costs, cost of finance, etc. But the single most potent issue pertains to regulatory delays. According to a recent McKinsey report, delays in approval processes alone increase sale value of houses by 40 per cent. Multi clearances and approvals numbering over 40 account for an average 18 month delay in construction.

Given these factors, the one solution that seems to be gaining favour amongst both developers and buyers alike is the concept of combined or group buying. Group Buying as a concept helps bridge the gap between the buyers and developers. It collates the requirements of individual buyers in organised manner and residential housing projects are pitched to with competitive offers. The concept of group buying is different from other property portals and real estate agents, because it believes in using e-commerce as a platform to harness the power of community. The e-commerce platform has effectively helped in increasing the reach; enabling home buyers from across the country to avail the benefits and also enabling consumers

with similar requirements to share their opinions and concerns, thereby facilitating them in taking an informed decision.

This model is beneficial for both the home buyer and the developer. From a developers point of view he straight away cuts his entire marketing cost and cost of sales uncertainty due to market conditions, in addition to a significant reduction in cost of finance. He is assured of a certain number of unit sales with the requisite customisation, hence enabling him to deliver closer to the need at a much more attractive price. Customisation and concept homes are increasingly creating a driving factor for developers to look for group buying as a medium.

From a home buyer's perspective what group buying does is giving him or her greater flexibility in customisation and building one's own concept home. It also ensures by and large hassle free timely delivery and most importantly a cost benefit of over as much as 20 per cent. This is a direct outcome of no marketing costs, reduced project finance costs, practically no sales costs, etc and all this with no government intervention. Imagine what this would do to home buyer cumulative cost of acquisition given that the lower principal would lead to a lower EMI and lower interest. Hence the effective benefit to the buyer is way above the 20 per cent going up to as much as 30-40 per cent, depending on the terms of finance that he/she negotiates with the bank. 

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