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Slow Market isn't a Bad Market for Investment

Despite multiple reform measures by the government and several developers taking on a more professional approach to real estate business, people are shying away from realty investments. It has always happened across investments that people develop shaky legs once the market dips and real estate is no different.

“Buyers have put on hold real estate investments and many people are also going to the extent of selling off their investments fearing loss, if the sector further goes down. Going forward, these same people will be comfortable investing in realty at a time when it is expensive, thinking they shouldn't leave a good deal and make most of it. So, for a property's value which is Rs 1 crore today, they wait and eventually buy the same for a higher rate going forward. It's happened before and happening now too,” says Jai Wasvani, a property consultant operating in Navi Mumbai.

Why to invest now?

Property venture is the most crucial decision that buyers make because it involves their life-time savings. Hence, investing in property purchase during a slowdown in the market is undoubtedly an investor's worst fear. The major question surrounding the minds of the investors and end-users is whether to invest in a property now or to buy later?



Any asset class sees both lows and highs over a period of time going through the inevitable market cycles. However, as the market variable, be it a stock market index or real estate prices, comes down from its peak, it rarely stops at the average level or the so-called fairly valued level. It typically travels all the way to the bottom in order for it to become so undervalued that people do not see any more risks in investing in it. This is also the point when the asset experiences what we call as a “bounce back”. Experts point that most buyers invest in a high market succumbing to emotions of being left out, but when it starts to dip, they panic and sell their investment at a lower value to avoid further loss. Once the market recovers, they again invest in similar properties paying a premium so that they do miss the growth opportunity. While it is extremely difficult to time the market, a better response to these ups and downs is to get cautious during euphoric sentiments and to get excited when there is extreme pessimism. As far as real estate market is concerned, we have been witnessing pessimism for nearly 5 years now.

For genuine buyers, the market is flush with opportunities to buy their dream houses at reasonable prices, which will see an upward trend in the near term. “Similar to how value investors cherish bearish markets, the time is probably right for end users to make the most of their investment options now,” says Nimish Gupta FRICS, MD, South Asia – RICS.

Additionally, during this volatile period, buyers can capitalize in residential real estate as comparatively more sense is witnessed in buying than renting. “With better affordability and low house rentals on a rise, investing in this kind of market is a good opportunity for all. Properties are inexpensive both in terms of price points and taxation and improvement in ROI in housing property,” says Apurva Gupta, Chief Marketing Officer, Rivali Park, CCI Projects.

Unfortunately, there continues to be a trust deficit in the market on account of more negative sentiments making rounds rather than the more positive developments that might be taking place. “Add to this, the number of increased instances where people are pulling out from projects under the shroud of regulatory reforms (due to reduced value of their investment), but willing to invest in other projects at lower costs. So while demand does exist in the market, it is masked behind profiteering by consumers, and not just developers,” says Gupta.

Word of Caution

However, while deciding to invest around this time, there certainly has to be some cautious approach employed. “Home buyers necessarily need to check on the financial health of a project-exposure to third party funds and other liabilities which the developer might have otherwise and not necessarily on the same project,” says Gupta.

Buyers need to be prudent in their decisions and should check the credibility of the developer, status of project construction importantly. Before buying the property, one must double-check for the authenticity of the deal. One should totally refrain from investing in properties which are under

legal scrutiny. Also, RERAs have now started acting upon its other role of development and promotion of the sector through increased transparency. Users should rely on data from RERAs to further their confidence in projects.



The market has already seen the bottom and the outlook in the near to long term is likely to only get better.

Box

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