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# THE AWARE CONSUMER

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**THE LAST MILE**  
Current Trends in  
Indian Real Estates



## The Real Estate

**IN FOCUS**

Impact of Demonetization  
on Housing and Real Estate

**OUT OF THE BOX**

Home Automation and  
Real Estate Industry

**PLUS**

**ROUND UP • MY MARKET • THE PRESCRIPTION**

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# VIEWPOINT



BEJON KUMAR MISRA | [bejonmisra@consumerconexion.org](mailto:bejonmisra@consumerconexion.org)

## Why Rent when you can Own ...

Real Estate Sector has a huge multiplier effect on the economy and therefore, is a big driver of economic growth. It is the second-largest employment generating sector after agriculture.

**ALMOST SEVEN DECADES** after India got independence the top priority for the masses and the government was to promote a healthy policy towards housing available to all despite economic disparities. Unfortunately, the results were not favorable and the outcome was disappointing. The political leadership was seen always exploiting the vote banks in terms of religion caste and creed. Once gain the Colonial legacy was seen on the ground. Gradually, the need was felt after the awareness spread amongst the country. The mafia, builder community and housing contractors are today in the prevailing scenario very well reined in by the judiciary and the political power.

Recently, our Prime Minister Narendra Modi has brought in a great change to the nation after demonetization. Neither expected nor most talked about is the pinning of Benami Properties all over the country. This has come as a harsh blow to the real estate promoters, their agents and land mafia. They cannot go scot-free now entering into false transactions and duping the unsuspecting customers. The government seems to be very serious in the current scenario giving full benefit to the buyer by all methods watching the

ultimate interest of the real estate sector. This we perceive shall give out the efficacy and give an upbeat to the real estate sector which has frozen for the last 5 years. The loot which was bluntly depriving the needy has been jolted by the drastic measures and initiatives taken by the government.

The genuine buyers may now expect that the coming few months shall bring a boom to the real estate sector definitely giving a positive edge to both buyers and sellers. The bold step taken at the behest of the government considering the plight of the home buyers has definitely brought cheers to the industry further enhancing the economic growth thus elevating GDP along with the decrease in inflation. India today being the world's largest economy has piped USA and CHINA on the graph of economic growth. The GDP ratio crossing the 7% figure leaves behind both USA and CHINA.

Our nation today has sustained the position of fastest growing economy in the world.

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Not Fall  
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to Fraud  
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## Housing and Real Estate Industry in India



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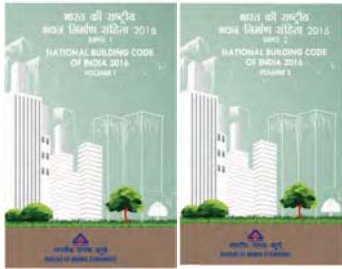
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### OUT OF THE BOX

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Growing rivalry in real estate market and growing desire to invest in the sector makes the customer always search for unique properties.

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"New legal framework, pro-buyer move to boost transparency, business in realty". Affordable housing has gained the most from this year's budget as it gets infrastructure status and may even trigger the required impetus to pull the real estate sector out of its worst slump in almost a decade.

# ROUNDUP



## INDIAN HOUSING AND REAL ESTATE INDUSTRY



**REAL ESTATE IN** India is a sector which has remained frozen for a long time now but has been boosted by our Prime Minister in many folds after his government came to power.

Real Estate refers to the "property consisting of land or buildings". It also consists of other various natural resources such as flora & fauna, water & minerals.

The term Real Estate has different meanings, defined from various perspectives.

It is grouped into three main broad categories as defined below-

1. **RESIDENTIAL**, which comprises of Land & Houses & mainly focuses on the things attached to the land or earth.
2. **COMMERCIAL** which includes Office buildings & Warehouses.
3. **INDUSTRIAL** consists of Factories & Mines etc. These categories are defined as per its use.

### INTRODUCTION

The Real Estate sector is one of the most recognized sectors around the world.

It has gained the Second's largest position of employment after agriculture & is expected to grow at a rate of 30% per decade.

The NRI Investments in both long term & short term is also expected to occur & run into in this sector.

Overall, the Real Estate sector holds great importance.

### MARKET SIZE

The market size of the Real Estate is estimated at US\$ 180 billion to reach by 2020.

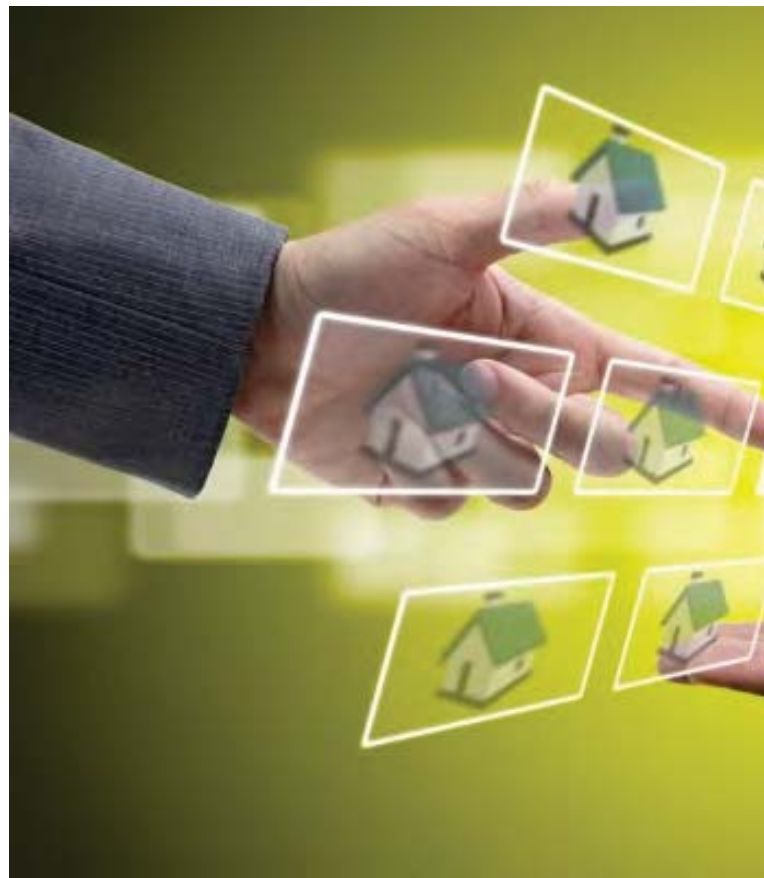
At about 5-6 percent is being contributed to the country's GROSS DOMESTIC PRODUCT (GDP) by the housing sector.

### DATA BRIEFING

**REAL ESTATE** has gained the **Second** largest position of employment after agriculture & is expected to grow at a rate of **30%** per decade.

## Dealing with Real Estate Brokers

**GONE IS THE ERA** when buyers were looking out for their homes in the traditional manner. Today, they have turned to advanced mediums taking advantage of the innovation and technology boom. This happens with just a click of the mouse sitting comfortably at home. Brokers have now understood that their services find very few customers at some point. Purchasing and disposing off the property gets only the need of services of a broker. Computer systems have so gone a generation ahead that coming times will see the brokers job to be nil. Urban dwellers are now very much aware and smart to go for a broker free deal these days. The public at large is IT friendly and does not want to go in the cumbersome process of going round the cities. Brokerage firms these days have few visitors. Although they cannot completely ignore the traditional way as it is far popular amongst the masses considered to be reliable in sub urban areas. Re-selling of property is a section having strongly held by the brokers as they are very well versed with the property market. As you all know the smaller cities are flooded with group housing societies being very popular amongst the buyers. We can find the purchaser still going the broker way first. With the surge of interest rate cuts the demand has increased many-a-fold for residential group housing societies. Buyers tend to choose from ready to move in projects as it would be good for the end users. The additional advantage with the buyers is making a good saving on the service tax on property. Property fares from time to time have witnessed a huge demand amongst sellers' buyers and resellers. Brokers have imminent role to play in such dealings. Here we must mention that the real estate sector is going through a very rough phase as seen in the last couple of years. This can be only be overcome by with a sharp decline in rate of interests. It is the need of time building confidence amongst customers and bringing them back again to the market. Commission factors of the brokers is a factor that swings the game amongst property buyers. The accurate amount taken home by the broker may vary amongst properties and regions. The certain percentage charged on sale proceeds from the buyer and the seller determine any deal to be materialized. Here proper regulation needs to be floated in an organized manner to ensure justice to home buyers and that no undue advantage is taken off them. It can be said that 2017 can be a trying time for the Indian brokers as lot many small time brokers will go through a filtration further ensuring the image of the sector. The restructuring of the sector is expected under the proper monitoring of the regulatory body instituted by the government. ▶



## GOVERNMENT INITIATIVES

Steps have been taken by the Government of India along with the other states encouraging the development of this sector. The Smart City Project, which is a plan to build about 100 smart cities, is a major opportunity for the real estate industries.

**SMART CITY PROJECT:** Prime Minister Shri Narendra Modi says that every city has a distinct identity and the country's people "who are the smartest" should decide on how to develop urban spaces.







Some of the major initiatives taken by the Government are:

1. The Cabinet Committee on Economic Affairs (CCEA) has approved various measures for reviving the Construction Sector.
2. The State Government of Kerala has decided to make the process of securing permits from local bodies for construction of houses easier and smoother due to its plan of making the process online with the launch of software called 'Sanketham'.
3. BrihanMumbai Municipal Corporation (BMC) introduced a single-window clearance for construction that will ultimately cut the time taken for getting approvals for a building project and lead to correction in prices of residential property, giving a fillip to Mumbai realty.

## IMPACT OF FDI ON INDIAN REAL ESTATE INDUSTRY

FDI in Real Estate Sector (CONSTRUCTION DEVELOPMENT: TOWNSHIPS, HOUSING, BUILT-UP INFRASTRUCTURE)	
Year	Amount in US\$ billion
2010-11 (April-March)	1.66
2011-12 (April-March)	3.14
2012-13 (April-March)	1.33
2013-14 (April-March)	1.23
2014-15 (April-March)	0.77
2015-16 (April-September)	0.08
<b>Cumulative inflows (April 2000-September 2015)</b>	<b>24.16</b>

The Real Estate Sector has been unregulated for years now. The rising prices of the property, delayed construction and REITs are the hurdles which come in the way of development of this sector. However with various ambitious and new projects announced by our Prime Minister Narendra Modi, there has been some form of growth. The Finance Minister, Mr. Arun Jaitley has also provided a major boost to the real estate sector.

"Affordable Housing" to be given "Infrastructure" status which is likely to result in increased participation from private players.

Infrastructure status being provided with affordable housing is a welcome move and will enable achieving the objectives of Housing for All by 2022.

The existing tax rate for incomes between Rs 2.5 Lakh to 5 Lakh reduced to 5% and other taxpayers to save Rs 12,500.

Major highlights of the real estate sector as presented in the Union Budget 2017 are:

1. Affordable Housing provided with Infrastructure Status.
2. 1 crore rural houses to be created till 2019.
3. Pradhan Mantri Awas Yojana to get Rs 23,000 crore.
4. No cash transaction above 3 Lakh to be allowed.
5. Indra Awas Yojana to be extended to 600 districts.
6. Rs 2.41 Lakh crore allotted for boosting infrastructure for transportation.

Major trends for Indian Real Estate Sector in 2017:

According to the World Investment Report 2016, India ranked fourth in developing Asia for FDI inflows.

These trends will shape or reshape the Indian real estate sector in 2017 and beyond:

### 1. Global capital flow into Indian real estate will increase further

India ranked fourth in developing Asia for FDI inflows as per the World Investment Report 2016 by the United Nations Conference for Trade and Development. That is endorsement at the highest levels – and real estate saw equity investment on a very visible return journey to India last year. The Indian real estate has attracted 32 billion in private equity so far. The global capital flow into Indian real estate in 2016 stood at 5.7 billion.

### 2. The sun rises on affordable housing

Affordable housing in India is finally set to get the infrastructure status always dreamt of. One crore houses are to be built in rural India by 2019 and this vital segment is now going to see more cheaper sources of finance including external commercial borrowings (ECB'S). Re-financing of housing loans by National Housing Banks (NHBs) is to give a further boost up to the sector.

Extension of tenure of loans under the Pradhan Mantri Awas Yojana (PMAY) increased from 15 to 20 years and the Budget increased allocation to PMAY from Rs 15,000 crore to Rs 23,000 crore in the rural areas.



# HOUSING AND REAL ESTATE RISK MANAGEMENT

## Risk mitigating measures at project level

- a) **Research** is essential in assessing virtually all kinds of risks. Important research areas will include:
  - 1) Forecast of yield development;
  - 2) Allocation strategy;
  - 3) Investor demand;
  - 4) Occupiers and consumer demand: The research into partners (financial position and due diligence check) is also included under 'research' and should be satisfactory;
- b) **Phasing:** Phasing is the first and the foremost stage in managing risk in housing and real estate. By adequately phasing projects, the steps to be taken are smaller, with possible exits following each phase.
- c) **Contracts:** Many risks can be mitigated by carefully drawing up of contracts. It is therefore essential that the legal department is involved, either directly or indirectly by instructing local lawyers. Regarding construction risk it is crucial to use controlled pricing mechanisms when entering into construction contracts. Therefore, it is preferred to have a fixed price contract to the largest possible extent. Depending on the project, flexibility might be needed to achieve the best price possible or to allow for tenant demands, design changes etc. All projects needs to be insured in line with insurance policies. Furthermore, the quality of partner agreements need to be highlighted.

- d) **Cost calculations:** A development appraisal consists of assumptions which become more certain in the course of the project. The risk of surprises and wrong assumptions made during the process need to be mitigated by meticulous calculations. These will be made during the development process as the design will evolve toward final specifications and will have to take into account inflation levels, price increases as a result of increasing demand etc. Where necessary, these should be verified externally.

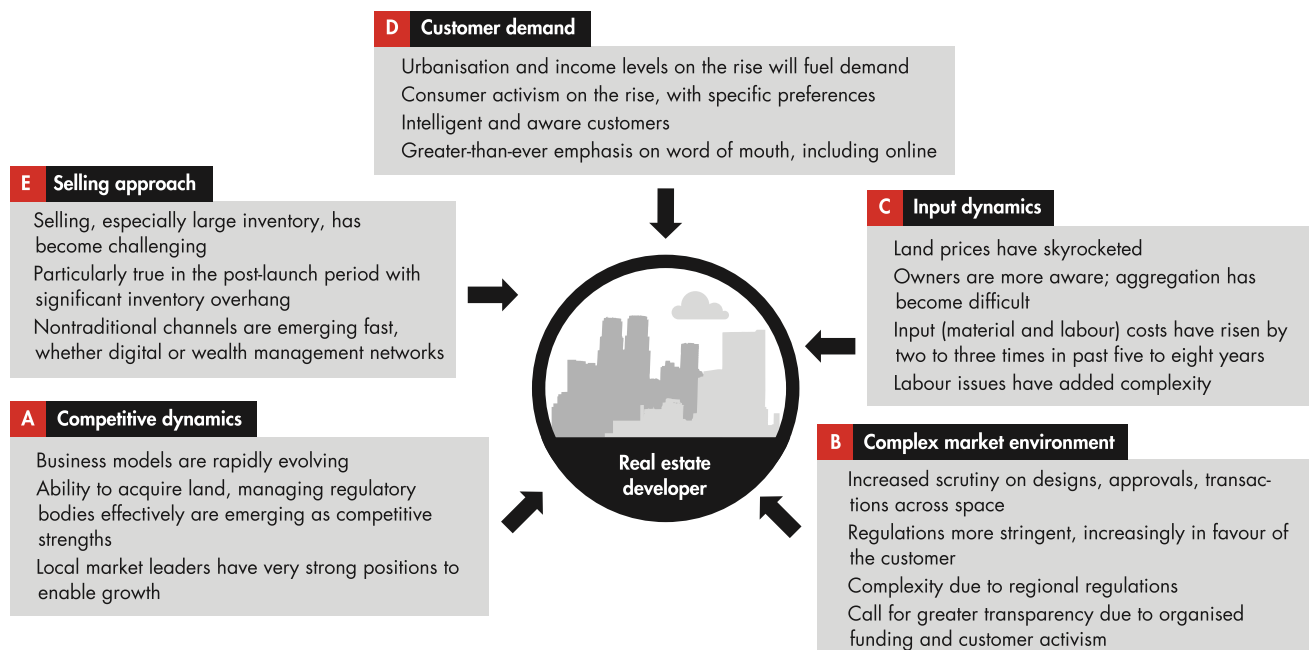
## Risk-mitigating measures at the portfolio level

At the portfolio level there are a number of risk mitigating measures in place. These are the following:

### Portfolio diversification

A Real Estate developer is often active in more than one country; the markets in these countries differ. Because the portfolio of the company is spread over several countries, segments and project sizes the portfolio is rather diversified. However, it is difficult to set up exact target portfolio diversification, since it is not possible to determine which diversification would create an optimal risk/return ratio. In order to be able to manage the portfolio and diversification over countries and segments, regular reports are essential together with an outlook based on the existing pipeline.

## Real estate developers in India need to contend with significant evolution across external forces



Source: Bain analysis

# VASSTU SHASHTRA

## IN HOUSING AND INDIAN REAL ESTATE



**IT IS ALWAYS** said, one should always consider Vaastu Shashtra while investing on a real estate.

Importance of Vastu Shashtra in a real estate:

Vastu Shashtra is believed to be the main channel or connection between the human being and all five elements of which human beings are made off.

Today, all the residential real estates and commercial real estates are constructed considering the Vaastu Shashtra for gaining a fruitful result from the five elements.

Vaastu Shashtra is important & is needed for all aspects beginning from the selection of the area, site planning, site direction, the position of rooms.

By construction of a property according to a right & proper Vaastu, the five elements lead their way in enhancing health, wealth, prosperity and happiness in the human beings life.

Vaastu helps in diminishing all the problems of hurdles that come in the way of the health, wealth or happiness of the individual.

It is believed that the direction of a building should be planned according to the rotation of the planets. The buildings which are not planned by following this orientation method as proposed by Vaastu Shastra will likely suffer from invisible problems.

This ancient practice has gained popularity in the real estate space, and is proven helpful in identifying the best places, plots and structures for residential as well as commercial purposes.

Thus, it will be fruitful if everyone considers these Vaastu positions or directions before investing on real estate or for any commercial purpose. ▶



“Let's think about making our product which has 'Zero Defect'; so that it does not come back (get rejected) from the world market and 'Zero Effect' so that the manufacturing does not have an adverse effect on our environment”

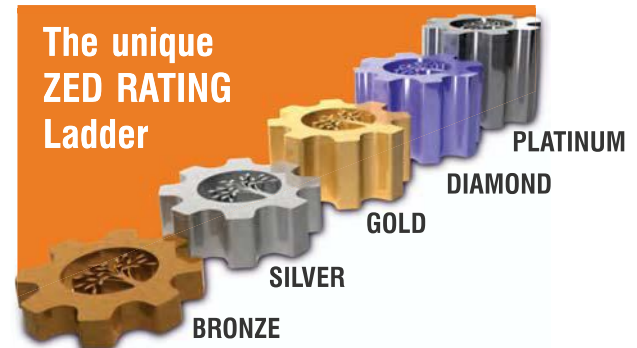
**SHRI NARENDRA MODI**  
Hon'ble Prime Minister



## Certification Scheme

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World-class manufacturing

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ZED RATING  
Ladder



### HIGHLIGHTS

- ⚙️ A scheme by Ministry of MSME, Govt. of India
- ⚙️ Certification on the systems and processes of MSMEs
- ⚙️ Handholding MSMEs towards world class manufacturing
- ⚙️ Special emphasis on MSMEs supplying to Defence Sector
- ⚙️ Direct subsidy to participating MSMEs
- ⚙️ Creating a credible database of MSMEs for OEMS/CPSUs/Foreign Investors under "Make in India initiative"
- ⚙️ Quality Council of India (QCI) to function as the NMIU (National Monitoring and Implementing Unit) of the scheme

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## COMPREHENSIVE STUDY: HOUSING AND REAL ESTATE INDUSTRY IN INDIA



### OVERVIEW

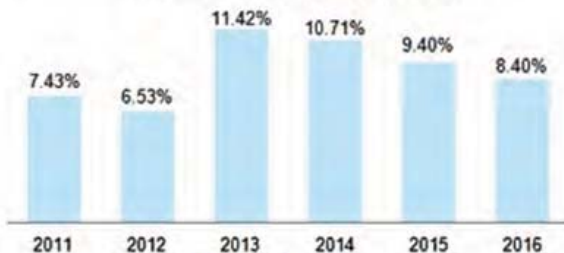
With a population of 1.25 Billion people, India is the second most populous country after China and is expected to overtake it by 2030. Its economic transformation and development has given a boost of 6% to the GDP growth since 1992.

Earlier, the real estate sector in India lacked in many aspects. It was unorganized and there was lack of uniformity in local laws, non-availability of bank financing, high interest rates and lack of transparency in transaction values.

However in the recent years, the real estate sector in India has transformed much and in a better way. India has exhibited a trend towards greater organisation & transparency jointly with various regulatory reforms.

**Some of these reforms include:**

1. Rent Control Act has been modified for providing greater protection to home owners wishing to rent out their properties.
2. There has been rationalization of property taxes in various states.
3. The Urban Ceiling Act repealed with the support of Government of India.

**FDI in construction development sector as a per cent of India's total FDI**

Source: Dept of Industrial Policy &amp; Promotion

Notes: Construction development sector includes townships, housing, built-up infrastructure and construction development projects

**THE SCENE TODAY**

The real estate sector is one of the critical sectors of the economy. It has a huge multiplier effect on the economy and therefore, is a big driver of economic growth. It is the second-largest employment-generating sector after agriculture. Growing at a rate of about 20% per annum this sector has been contributing about 5-6% to India's GDP. Not only does it generate a high level of direct employment, but it also stimulates the demand in over 250 ancillary industries such as cement, steel, paint, brick, building materials, consumer durables and so on. The Indian real estate industry has been on a roller coaster ride since 2005. Consequent to the government's policy to allow Foreign Direct Investment (FDI) in this sector, there was a boom in investment and developmental activities. The sector not only witnessed the entry of many new domestic realty players but also the arrival of many foreign real estate investment companies including private equity funds, pension funds and development companies entered the sector lured by the high returns on investments.

The real estate sector has been riding through many highs and lows since then. The industry achieved new heights during 2007 and early 2008, characterized by a growth in demand, substantial development and increased foreign investments. However, by mid-2008, the effects of the global economic slowdown were evident here too, and the industry took a 'U' turn. FDI inflow into real estate dropped significantly and what had emerged as one of the most promising markets for foreign investments experienced a downturn.

The real estate sector contributes approximately 15 per cent of India's GDP. Experts had consistently been demanding the government to allot 'Industry Status' to real estate sector as well. Since the real estate sector is not included among the categories of industry, developers, builders and investors are often compelled to avail loans at higher rates of interest. Due to the hefty interest rate loans, constructors are compelled to face shortage of funds. The end result is delayed completion of projects, impacting the end consumer in an adverse manner.

Project clearance is another major hurdle faced by the real estate players. Developers have complained of stiff bureaucratic control, which delays the constructions in unprecedented manner. The real estate sector had demanded the Finance Minister Arun Jaitley to grant 'single window clearance', which would facilitate smooth execution of projects.

Industry experts had demanded the government to issue clarity regarding the Pradhan Mantri Awas Yojana (PMAY). Under the scheme, government announced that an interest rate of only 4 per cent would be charged on loans of Rs 9 lakh and 3 per cent on amount of Rs 12 lakh. However, there is ambiguity whether those not falling under EWS (Economically Weaker Section) or the LIG (Low Income Group) segments would be the beneficiaries.

Increasing the tax incentives for first-time buyers was a long-pending demand before the government. Presently, the government provides tax deduction upto Rs 2 lakh on purchase of residential properties. The tax sop is reduced to Rs 30,000, if the buyer has invested in a developing project, which takes more than three years for completion. Experts had demanded the government to increase the tax sop to Rs 5 lakh for first-time buyers, and remove the clause of reduced tax benefits on investment in ongoing projects.

**INDIAN HOUSING**

Affordable housing projects now take a top seat to be given infra status as declared by our Finance Minister Mr Arun Jaitley in the Union Budget presented recently.

There is a proposal to construct additional 1 crore houses for homeless by 2019. Proper focus has been laid towards housing in rural and urban sector. There has been a raise in PMAY budget allocation from Rs 15,000 crores to Rs 23,000 crores. The finance shall be provided by housing bank to the individuals housing loans in 2017-18 to the tune of Rs 20,000 crores.

Affordable homes have seen promotion for the homeless with the proposal by the government making an amendment, relaxing the condition of completion and period for claiming reduction which was earlier 5 years. The relevant sections in income tax shall be taken care of all these provisions. Urban population shall be encouraged to build Pukka houses in place of kaccha houses. Mission Antodaya shall bring out one crore households out of shackles of poverty. Gram panchayats shall be poverty spree armed with more convenient powers. The





**There has been a raise in PMAY budget allocation from Rs 15,000 crores to Rs 23,000 crores. The finance shall be provided by housing bank to the individuals housing loans in 2017-18 to the tune of Rs 20,000 crores.**

lending rates have gone down due to available liquidity being the outcome of demonetization. Subvention schemes for housing loans have been focused by our Prime Minister. A scheme for profit linked income tax exemption for promoters of affordable housing scheme has seen encouraging and giving more attractions and certain changes. Now instead of built up area of 30 square and 60 square mts. the carpet area to the same measurement will be counted. Finance Minister also stressed that 30 square mt. limit will apply only in case of municipal limits in case of 4 metropolitan cities whereas for the rest of the country the limits of 60 square mt. will apply (also in peripheral areas of metros). The scheme has now been extended to the period of 5 years as slated 3 years in the earlier times. New tax sops for builders sitting on huge unsold socks have been floated to give a new breath to the sagging and slowdown in the real estate sector very particularly in the housing segment. The houses which are unoccupied even after getting completion certificates are subjected to tax on notional rental income. The stocking trade of the constructed buildings lying with the buying sights shall come under such overview. Sufficient breathing time shall be allocated for liquidating the inventory within 1 year of the year in which completion certificate was granted. Putting one to gain the immovable property from long term the period will now be 2 years as against 3 years in earlier times. Indexation of property as proposed shall be shifted from 1st April 1981 to April 1 2001 for all assets and their class including immovable property. The parliament has now come down very heavily upon the builder mafia and the real estate agents, promoters tying their hands for venturing into any kind of Benami transactions. The government has taken the cognizance of the issue to bring around relief to the buyers from the deceptive monopoly practices adopted by the unscrupulous builders. The real estate sector which was lying very low for all these years now can be expected to go for an upsurge very soon. The affordable housing sector is definitely going to see its sunshine benefiting our economy moving ahead with a bright future. The government in the last 70 years was gripped with red tapism which could not give the desired boost to the real estate sector. But in a

developing economy like India immense focus is required now and has been given its right place to occupy.

Affordable housing developers will now be eligible for several government incentives, subsidies, tax benefits, and most importantly, institutional funding. The status could also mean that the government may release land specifically for affordable housing development in central locations of major urban centres in India.

"With the infrastructure status, developers can access foreign funds at a cheaper cost by way of debt and it will be a priority lending for banks as well. This should result in progress in the sector". Partner and Head of Real estate and Construction in KPMG in India.

Experts said the move will not only allow access of cheaper loans for developers of budget housing but significantly boost the sector in achieving the government target of 'Housing for All by 2022'.

The Finance Minister also reduced the holding period for land and buildings from three years to two years for long-term capital gains purpose. "This would help improve investability in properties in comparison to shares and stocks where the period is one year."

The budget has also pushed the Prime Minister's project of providing about 20 million houses across India by 2020. Infrastructure status to affordable housing will improve resource allocation for affordable housing and will also enhance the housing supply leading to reduction in the demand backlog.

"The focus is to have a more affordable supply and increase the ability to buy. More initiatives by the government will help the affordable housing sector.

With these initiatives, the budget clearly seems to promote affordable housing. It would need to ensure that funds from these projects can't be taken out before completion of the project.

Infrastructure status to housing finance companies would help reduce interest rates. This coupled with the interest subvention scheme can go a long way in pushing low cost housing demand. ■

5 million preventable  
deaths occur every  
year



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## REAL ESTATE FUTURE PROSPECTS



**THE REAL ESTATE** gurus have predicted a huge boom in this sector by 2020. The real estate promotion has indeed a terrific potential as seen by the marketing experts. This in turn will give a boost to the sector in times to come. Investors and customers waiting for the right prices in order to stabilize are expecting a positive future for this purpose. The wider range of opportunities and the new value drivers is visualized by the leading managers of housing projects. However the climatic changes, the geographical factors and the relevant prices coupled with the regulations of government are major game changers in sustainability to the real estate sector. The government is now committed to refurbish the entire

sector as compared to the global market of housing projects and their expansion. The expansion given by the virtue of government policies is going to emerge as an economic development for the nation. The transparent property rights and the tenant quality shall lead to a healthy competition in the housing sector.

### SIX PREDICTIONS FOR 2020 AND BEYOND

The ever changing landscape has got its own pros and cons with regards to the real estate sector. The investment community should take into consideration the substantial implications for all real estate strategies.

1. The emerging economies of the world are expected with an opportunity of

huge expansion due to the increased global investment. One other acceleration in realty is deemed to happen due to increased GDP and population growth. 2020 is going to see a surge of 55% according to the real estate forecasts.

2. Risk taking factors and the return opportunities shall have wider range in cities and sub urban areas as well. There shall be a presentation of risk linked to its yield in advancement of real estate sector of any economy, rewarding befittingly both buyers and the sellers. The population migration shall also be a major factor contributing to this biggest ever construction surge.
3. The buildings designed with innovation and technology shall be required to have sustainable ratings as compared with the global trends as seen in the market. The places shall be pleasant to live combined with the high rise in living standards of any community.
4. Government has always promoted collaborations amongst real estate managers, developers, and the investment community being partners to reduce the market risks as per the government policies.
5. New wealth emerging from intensified competition for prime assets shall attract higher returns. The



sectors such as agriculture (as requirement) shall put in the required thrust to develop assets in fast growing and higher risk managing economies.

6. Last but not the least, the political factors, the behavioral changes and the climatic conditions shall emerge together with a broader range of skills as compared with the risk taking capacity.

## FUTURE INVESTMENT IN HOUSING AND REAL ESTATE IN INDIA

Any real estate promotion cannot be expected to provide prosperity without creating special economic zones. Few other specialized industrial spaces must also be on the agenda of the instrumental authorities. We can see in the Indian economy that rising prices have deeply affected credit availability in the sector. Thus the slum has taken its place in the housing sector bringing down the transactions negligibly.

The only way out to bring high cheer into the real estate sector is to allow foreign capital inflow along with relaxing the regulations for Foreign direct investments. This can result to put in the required capital for widespread development of affordable housing, commercial, retail and other relevant projects. Global trends also indicate the same being prevalent in all other developed as well as developing economies. It has organized the markets to large extents working for real estate markets and developing the world. Apparently this is a big sign of growth emerging out of real estate developments. The ownership structure of the real estate housing can be infused with a definite change by bringing about organizational control. The institutions can own in a better way and manage the real estate assets in any residential property or commercial or other projects. There-upon the private equity funds, insurance companies, pension funds and other related financial instruments can see the desired profitability only in the hands of



The Government of India along with the governments of the respective states has taken several initiatives to encourage the development in the sector. The Smart City Project, where there is a plan to build 100 smart cities, is a prime opportunity for the real estate companies

institutional managers. The real estate investments need sophistication in the financial structuring of any such housing sector. This can manage the customer with easy accessibility to equity capital from public and private sources. Methodically this allows all individual investors to be a part and parcel of real estate industry.

Alternatively, we can achieve the advancement in residential projects and planning with management techniques and cost optimization. Construct time limits must be met abiding the rules thus achieving the safety guidelines. Greener area and the intelligent energy efficient green buildings are going to take over the market in the coming times. The private and public sector participation involving real estate plays a major role in constructing any developing economy. This will enhance the availability of infrastructural projects including road, air, and water transports for easy connectivity.

The research data and the computerized land records with few formalities towards transfer of land, titles and taxation can help the real estate transactions positively. Transparency and uniformity is the basic essence of the real estate sector. Logical rationalization can be brought about in the real estate housing process controlling the interest rates and attracting the customers for easy deals. This can overcome the slump with new highs.

The next decade can be carved as per the industry requirements. None other than a big revolution awaits our real estate industry. Not only metros but the deeper sections of rural and sub-urban areas are to be benefitted by such expansions logistically. Here one can predict the coming years will be a golden era for affordable housing projects and real estate promotion. ▶

## IMPACT OF DEMONETIZATION ON HOUSING AND REAL ESTATE



India's business environment has been largely affected by demonetization of higher currency notes by our Prime Minister.

The poor sales taking place after demonetization, selling inventory at almost half prices, marking heavy liquidity challenges all have jointly stopped the real estate sector from fulfilling its potential and also restraining it from providing the necessary residential stability to its customers and citizens. However, the primary sales market will not be affected, especially when we talk about strong established developers and builders. Although the full impact of demonetization in the real estate sector will be seen in the next union budget.





## Pradhan Mantri Awas Yojana (PMAY) Housing for All by 2022

At the slum decadal growth rate of 34%, the slum households are projected to go upto 18 million. 2 million non-slum urban poor households are proposed to be covered under the Mission. Hence, total housing shortage envisaged to be addressed through the new mission is 20 million.

### Positive Effects

This sector is expected to have a positive impact by demonetization in the coming years. The sector will be able to enjoy a more transparent and better organized environment ultimately providing opportunities to the home buyers.

### Lower Home Loans

After demonetization, the flow of money from the organized sectors and small scale industries to banks has increased which has led to huge deposits. Gaining benefits from this, the people will now be able to get home loans at low rates.

This liquidity will bring stabilization in price and the market will turn positive for the buyer.

### Investment in Infrastructural Development

This will increase the collective steps and thus the government will get more exposure so as to invest in this sector, leading to the infrastructural development of the country. After granting connectivity to those who have invested, projects related to affordable housing will gain from the development.

### IMPACT OF DEMONETIZATION ON HOUSING

Housing prices in 42 major cities across India could drop by up to 30% over 6-12 months after the demonetization of high-value notes, wiping out over Rs 8 lakh crores worth market value of residential properties sold and unsold by developers since 2008.

### PRADHAN MANTRI AWAS YOJANA (PMAY) - HOUSING FOR ALL

The mission of PradhanMantriAwasYojana is basically to provide housing to all. It is implemented during the period 2015-2022 and provides central assistance to Urban Local Bodies.

At the slum level owing to a growth rate of 34%, the slum households are projected to go upto 18 million. Around 2 million non-slum urban poor households are proposed to be covered under the Mission. Hence, total housing shortage envisaged to be addressed through the new mission is 20 million.

### Aim of the Scheme

Our Prime Minister NarendraModi on the occasion of the 75th Independence Day wants the people to celebrate the day for a reason. He has a vision and wants to provide people with a reason to celebrate 75 years of Independence.

His aim is to deliver Pucca houses to the weaker sections of the society.

This huge task will be completed & will bring success with the enforcement of the PradhanMantriAwasYojana. The scheme along with Pucca Houses will provide access to 24x7 toilet facility and electricity supply to the weaker sections.

### Operation of PMAY

After the implementation, there comes the stage of operation i.e. how the Yojana will operate.

The mentioned scheme is carried out in four major components or types in which the scheme is to work. They are:

- 1.Weaker Economical Sections to be given subsidy on home loans.
- 2.The subsidy provided to be used for new construction and additions of rooms.
- 3.The subsidy provided will only be available for loan amounts up to 12 lakhs.
- 4.If the loan amount exceeds 12 lakh, no subsidy will be provided.
- 5.The house so constructed should be in the name of the female head of the household or in the joint names of the male. In cases where there is no female head in the family, the house can be in the name of male member of the household. ■

## REAL ESTATE REGULATORY AUTHORITY (RERA) REAL ESTATE (REGULATION AND DEVELOPMENT) ACT, 2016

**The Real Estate** (Regulation and Development) Act, 2016 is an Act of the Parliament of India which seeks to protect home-buyers as well as help boost investments in the real estate industry. The bill was passed by both the houses of Parliament; Rajya Sabha on 10 March 2016 and by the Lok Sabha on 15 March 2016. The Act came into force from 1 May 2016 with 69 of 92 sections notified. The Central and state governments are liable to notify the Rules under the Act within a statutory period of six months.

While the Union government was forced to strengthen its rules issued under the Real Estate (Regulation and Development) Act, 2016 (RERA) following much pressure from citizen groups, the dilution of the rules to give leeway to builders has started at the level of various states.

So far, the state governments of Uttar Pradesh and

Gujarat have notified their own version of the RERA rules while Karnataka and Madhya Pradesh are yet to notify the draft rules prepared by them. The Ministry of Urban Development, which is in charge of urban planning in Delhi has also recently finalized its rules.

Almost all states have tweaked the regulations in the interest of real estate

developers mainly by excluding ongoing real estate projects, which account for a majority of realty projects in the country.

The Real Estate (Regulation and Development) Act, 2016, requires mandatory registration of all ongoing and new real estate projects, provides safeguards against delays and fraudulent practices and imposes punitive measures as well as jail term on unscrupulous builders. It also requires builders to disclose project details on the website of the regulator along with quarterly update on its progress onsite. ▶



## FINANCIAL PLANNING AND REAL ESTATE

Financial Planning has always taken a front seat may be domestically or in the business transactions. In relation to real estate we find that finance is the core factor deciding the maturity of any deal between buyer and seller.

Builder community on their side must be very sound financially so as to provide latest amenities and quality with elite facilities as desired in day to day trend. This is a demand of the global strategy that the projects are able to convince the customer inducing them sufficiently and drawing them to give a final thumbs up. This requires huge inflow of material and finance covering all areas especially satisfying the homemakers or the house ladies because it is the women who are the final say in any deal of property; specially in affordable housing projects. The aesthetic taste of the buyer community cannot be overlooked by any real estate sector. Thus,



we find that kitchen areas, balconies, open space, flooring, wood work are very much highlighted in majority in all the housing projects. Sitting across the table, the buyer should always be on the stronger side demanding the best for him giving him the right value of his money.

Last, but not the least, financial planning is the first step to move for successful delivery of any projects especially in the real estate sector.

## National Building Code of India 2016 (NBC 2016)

**THE NATIONAL BUILDING** Code of India (NBC), a comprehensive building Code, is a national instrument providing guidelines for regulating the building construction activities across the country. It serves as a Model Code for adoption by all agencies involved in building construction works be they Public Works Departments, other government construction departments, local bodies or private construction agencies. The Code mainly contains administrative regulations, development control rules and general building requirements; fire safety requirements; stipulations regarding materials, structural design and construction (including safety); and building and plumbing services.

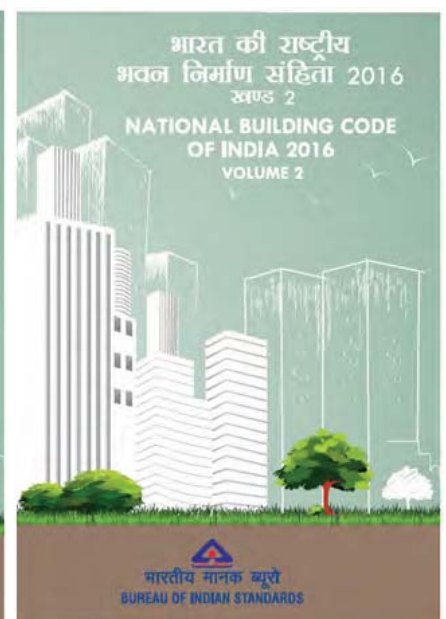
The Code was first published in 1970 at the instance of Planning Commission and then first revised in 1983. Thereafter three major amendments were issued to the 1983 version, two in 1987 and the third in 1997. The second revision of the Code was in 2005, to which two amendments were issued in 2015.

Due to large scale changes in the building construction activities, such as change in nature of occupancies with prevalence of high rises and mixed occupancies, greater dependence and complicated nature of building services, development of new/innovative construction materials and technologies, greater need for preservation of environment and recognition of need for planned management of existing buildings and built environment, there has been a paradigm shift in building construction scenario. Considering these,



a Project for comprehensive revision of the Code was taken up under the aegis of the National Building Code Sectional Committee, CED 46 of BIS and its 22 expert Panels; involving around 1 000 experts. As a culmination of the Project, the revised Code has been brought out in 2016 as **National Building Code of India 2016** reflecting the state-of-the-art and contemporary applicable international practices.

The comprehensive NBC 2016 contains 12 Parts some of which are further divided into Sections totaling 33 chapters (see **Annex 1**). The salient features of the revised NBC (see **Annex 2**) include, apart from other changes made, the changes specially in regard to further enhancing our response to meet the challenges posed by natural



calamities. The major changes incorporated in this third revision of the Code are as follows:

a) Provisions for association of **need based professionals and agencies** have been updated to ensure proper discharge of responsibilities for accomplishment of building project.

b) With a view to ensuring **ease of doing business in built environment sector**, a detailed provision for streamlining the approval process in respect of different agencies has been incorporated in the form of an integrated approval process through single window approach for enabling expeditious approval process, avoiding separate clearances from various authorities.

c) Further, with a view to meeting the above objective, the provision on



**computerization of approval process** has been detailed, enabling online submission of plans, drawings and other details, and sanction thereof, aiding in speedier approval process.

d) The mechanism of ensuring **certification of structural safety** of buildings by the competent professional and peer review of design of buildings, have been further strengthened.

e) Requirements for **accessibility in buildings and built environment for persons with disabilities and the elderly** have been thoroughly revised and updated.

f) Provisions on **fire and life safety** have been thoroughly revised to meet the challenges of modern complex building types including the high rises.

g) Latest structural loading and design and construction codes including those relating to wind load, **earthquake resistant design** of buildings, steel design and foundations have been incorporated with a view to ensuring structural safety of buildings including against a disaster.

h) Provisions relating to all **building and plumbing services** have been updated keeping also in view the latest international practices as related to the country.

j) Provisions have been updated to ensure utilization of number of **new/alternative building materials and technologies** to provide for innovation in the field of building construction.

k) **Construction management** guidelines have been incorporated to aid in timely completion of building projects with desired quality in a safe manner within the budgeted cost.

m) Guidance has been provided for making buildings and built environment energy efficient and environmentally compatible, through the newly introduced and updated chapter on sustainability, namely Part 11 'Approach to Sustainability'

n) **New chapters** have been added on structural use of glass; escalators and moving walks; information and communication enabled installations; solid waste management; and asset and facility management.

The Code has been published in two volumes containing all the Parts and Sections.

The publication is available from Sales Counter at BIS Headquarters as well as various Regional and Branch Offices of BIS.

## Annex 1 CONTENTS OF NBC 2016

### VOLUME 1

PART 0 INTEGRATED APPROACH – A PRE-REQUISITE FOR APPLYING THE PROVISIONS OF THE CODE

PART 1 DEFINITIONS

PART 2 ADMINISTRATION

PART 3 DEVELOPMENT CONTROL RULES AND GENERAL BUILDING REQUIREMENTS

PART 4 FIRE AND LIFE SAFETY

PART 5 BUILDING MATERIALS

PART 6 STRUCTURAL DESIGN  
Section 1: Loads, Forces and Effects  
Section 2: Soils and Foundations  
Section 3: Timber and Bamboo  
3A Timber  
3B Bamboo  
Section 4: Masonry  
Section 5: Concrete  
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5B Prestressed Concrete  
Section 6: Steel  
Section 7: Prefabrication and Systems Building and Mixed/Composite Construction  
7A Prefabricated Concrete  
7B Systems Building and Mixed/Composite Construction  
Section 8: Glass and Glazing

### VOLUME 2

PART 7 CONSTRUCTION MANAGEMENT, PRACTICES AND SAFETY

PART 8 BUILDING SERVICES  
Section 1: Lighting and Natural Ventilation  
Section 2: Electrical and Allied Installations  
Section 3: Air Conditioning,

Heating and Mechanical Ventilation

Section 4: Acoustics, Sound

Insulation and Noise Control

Section 5: Installation of Lifts and Escalators and Moving Walks

5A Lifts

5B Escalators and Moving Walks

Section 6: Information and Communication Enabled Installations

PART 9 PLUMBING SERVICES (INCLUDING SOLID WASTE MANAGEMENT)

Section 1: Water Supply

Section 2: Drainage and Sanitation

Section 3: Solid Waste Management

Section 4: Gas Supply

PART 10 LANDSCAPE DEVELOPMENT, SIGNS AND OUTDOOR DISPLAY STRUCTURES  
Section 1: Landscape Planning, Design and Development  
Section 2: Signs and Outdoor Display Structures

PART 11 APPROACH TO SUSTAINABILITY

PART 12 ASSET AND FACILITY MANAGEMENT

## Annex 2

### Salient Features of National Building Code 2016 (NBC 2016)

1) Detailed provision for **streamlining the approval process** in respect of different agencies in the form of an integrated approval process through single window approach thereby avoiding separate clearances from various authorities, with a view to ensuring **ease of doing business** in built environment sector.

2) **Progressive computerization of approval process**, for enabling online submission of plans, drawings and other details, and sanction thereof.

3) Updated mechanism of ensuring **certification of structural safety** of buildings by the competent professional and peer review of design of buildings.

4) Defining the roles and responsibilities of all professionals and contractors involved in a building construction project.

5) Comprehensive planning norms for minimum amenities to be provided in a city/town.

6) Detailed provisions relating to requirements for **accessibility in buildings and built environment** for persons with disabilities and the elderly.

7) Planning and development norms, such as, Transferable Development Rights (TDR) and Accommodation Reservation (AR).

8) Provisions for underground or multi-storeyed **parking** as also mechanized parking of vehicles.

9) Norms for **solar energy** utilization.

10) Requirements for buildings on podium for ensuring fire and life safety in such buildings.

11) **Fire and life safety in modern complex buildings** including the high rises, glazed buildings, atria, commercial kitchen and car parking facilities.

12) Updated **structural design provisions** for wind and seismic loads, imposed load due to helipad, and blast loads, for safe design and construction of buildings with due focus on ductile detailing.

13) Latest research and development inputs and provisions on concrete, steel and masonry buildings with a view to ensuring **disaster resilient buildings**.

14) Assessment of liquefaction potential of a site and ground improvement techniques for maximum utilization of land resources including at seismically vulnerable sites.

15) Updated provisions on engineered use of **bamboo in housing** and other building construction.

16) Promotion of use of **agricultural and industrial wastes** including **construction and demolition wastes** in building construction without compromising the quality and safety.

17) Inclusion of provisions on self compacting concrete, high performance concrete and steel fibre reinforced concrete.

18) Updated provisions on

**prefabricated construction technique** for speedier construction.

19) New chapter on structural **use of glass** in buildings.

20) **New and alternative building materials, and technologies** for building construction such as, reinforced masonry, confined masonry building construction and masonry wall construction using rat-trap bond.

21) Construction **project management guidelines** for timely completion of building projects within the budgeted cost with desired quality.

22) Habitat and other welfare **requirements for workers** at construction site.

23) Inclusion of modern lighting techniques such as **LED and induction light** and their energy consumption.

24) New provisions on compact substations and updated provisions on installation of energy meters.

25) Comprehensive provisions relating to **lightning protection** of buildings.

26) Provisions on aviation obstacle lights; **electric vehicle charging** and car park management.

27) Protection of human beings from electrical hazards and against fire in the building due to leakage current.

28) Use of **refrigerants** for air conditioning addressing zero ozone depletion potential (**ODP**) and ultra-low global warming potential (**GWP**).

29) Inclusion of new and **energy efficient options of air conditioning**, heating and mechanical ventilation, such as variable refrigerant flow system, inverter technology, district cooling system, hybrid central plant using chilled beams, radiant floor components, and geo-thermal cooling and heating.

30) Thrust on **envelope** optimization using energy modelling, day lighting simulation, solar shade analysis and wind modelling software to optimize the air conditioning load.

31) Air conditioning, heating, and ventilation (HVAC) provisions considering **adaptive thermal comfort conditions** for energy efficiency.

32) Provisions pertaining to **metro trainways and metro stations** with respect

to fire and life safety; and air conditioning, heating and ventilation for metro stations.

33) HVAC requirements for **data centres and healthcare facilities**; refrigeration for cold stores; efficient strategies for winter heating using reverse cycle operation, solar heating systems, ground source heat pump and electric heat pump; and modern system of mechanical ventilation for industries, commercial kitchen and underground car parking.

34) Updated provisions on **building automation system** to include the latest practices for web-based monitoring and control of performance parameters.

35) **High speed lifts** for tall buildings.

36) New chapter on **escalators and moving walks** for comfortable and safe movement of people.

37) New chapter on **information and communication enabled installations** in buildings.

38) Updated provisions on water supply, drainage and sanitation for modern high rise buildings and complexes.

39) Provisions relating to **swimming pools** covering hygiene and safety.

40) Updated provisions on **rainwater harvesting**.

41) New chapter on **solid waste management** covering various solid waste management systems within the building and building complexes.

42) Updated provisions on **piped gas supply** in houses, and in hospitals for medical purposes.

43) Promoting quality of outdoor built environment through updated provisions on **landscape planning**, design and development.

44) Promoting **sustainability** in buildings and built environment in tandem with relevant sustainable development goals.

45) New chapter on **asset and facility management** to cover provisions relating to management of building assets and associated services, also covering responsibilities of occupants for maintenance of facilities, such as structures, equipment and exterior property. ▀



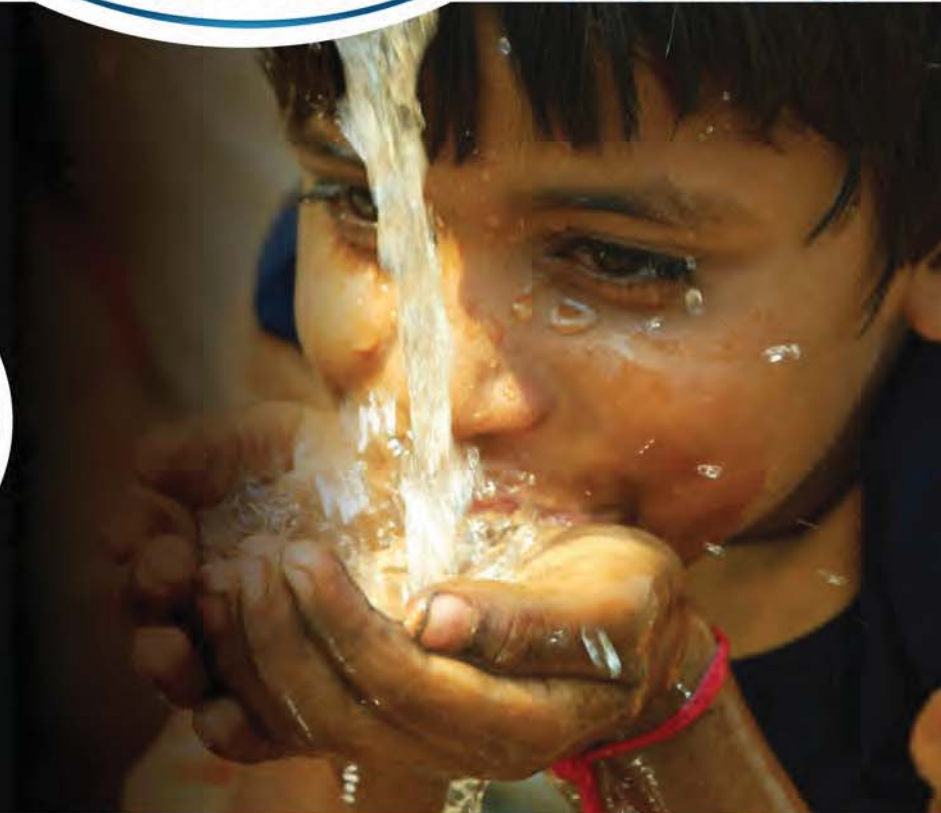


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**Pyush Misra**

Director

Consumer Online Foundation

## Best Time To Buy A Home: Indian Real Estate



**THE STEP TAKEN** by the Government to bring about an end to corruption just got real. On 8th November, 2016 our Prime Minister Narendra Modi took a major step against corruption by banning Rs 500 and Rs 1000 currency notes.

It is expected that those segments of the property market which have a high proportion of cash transactions will be hit hard- viz the secondary property market, luxury home sales and land transactions. The range of cash component used in these segments is anywhere between 15-40%. One can expect to see a price correction triggered by stagnation of sales as the stock of unaccounted money which lubricates these markets has been sucked out.

Even though many are predicting negative market sentiments for the realty sector there is a silver lining for buyers who are financing their property purchase via means of accounted money and home loans. Here are the top 5 reasons why salaried property seekers should invest in a property today:

1. **It is a buyers' market for the next three to four months:** Till the market stabilizes many builders would be in need of cash flow and buyers would definitely have an upper hand in negotiating the best deals in the primary property market.

2. **Higher costs due to RERA:** With the implementation of RERA (Real Estate Regulatory Act) the property prices are likely to see an upward spiral. The RERA requires developers to be transparent about the source and use of funds for a project, and the higher cost of complying with the regulation is unlikely to be absorbed by the builder. So the next few months will be the ideal buying window for buyers.

3. **Impact of GST:** Post the implementation of the Goods and Services Tax (GST) most of the input items for real estate construction like cement would fall in the 18% bracket which is much lower than the current 30 – 40% tax bracket. So the overall construction cost for a developer is likely to fall. But, looking at the current

scenario with the decrease in profit margins for developers due to RERA and the expected construction delays due to demonetization many developers might not pass on this benefit to buyers.

4. **Buyers would be spoilt for choice in the secondary market:**

Until last week, most sellers of resale properties had an incentive to seek out buyers who were willing to transact with unaccounted money. So much so that there was a preference for such buyers, effectively eliminating most of the resale properties from the reach of salaried buyers who finance their purchase via their savings and home loans. Given the demonetization drive, the incentive to sell through cash dominant transactions is less which opens up a whole new supply of bargain deals in the resale market. In addition to a wider choice, it gives an upper hand to property buyers to crack the best deal.

5. **Interest rates are set to go down further:** Demonetization brings with it a deflationary effect on the economy, and you can expect interest rates to go down further in the short run. The banks will have more liquidity at their disposal due to higher deposits coming into the banking channel. Both are likely to trigger a push into home loan lending via cheaper loans and better credit terms.

If you are looking to buy a home, and are looking to finance your purchase through a loan, there can't be a better time than now! ▶



## RESIDENTIAL AND COMMERCIAL REAL ESTATE DEVELOPERS

A shortage on 22.4 million  
residential units has been estimated  
during the tenth five year plan.



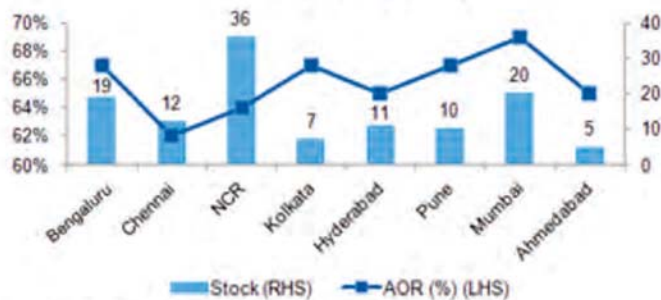
**INDIA BEING THE** second most populous country in the world, real estate in India is required in huge amount. Residential Property in India is an emerging market.

India is a developing economy in which the needs, the requirements and the aspirations of people are innumerable. The foremost being Residential Housing. Plots need to be designed into complexes so as to build the housing units as per the requirements of public. The construction industry we can see has taken up the control and development of residential townships and projects. This is not only the case with metro cities but a

similar demand has been up-coming in the rural and sub-urban areas. Foreign investments have also been playing an important role in our residential market. NRI'S have an important role to play in this. We can see a huge increase of real estate developers, promoters, brokers and estate agents in the past few years so as to cater to the ever increasing demand of residential housing complexes. We observe the residential properties in India have been on the rise, the major factor governing this is the high prices of the residential projects, the real estate promoters also provide customers with the



Occupancy rate Vs. Stock in major Indian cities (Est. 2017)



Source: Cushman & Wakefield, Aranca Research  
Notes: AOR: Average Occupancy Rate

valuation of the management property services further determining the existing value of property one intends to buy. So as to bring around proper organization, discipline and control amongst the real estate developers they all need to be registered with the government authority. The real estate sector has been seen most promising and an attractive field of business in India. Local investors along with multinational companies have jumped into the fray. The collaboration amongst MNC'S and the local real estate developers is very much evident from the transactions mostly being materialized in the last few years. We understand the development of real estate sector has been slow but it has been constantly evolving, the big difference is seen due to the ever increasing higher living standards of the Indian community. We also see the demand for housing and residential properties is always on the rise. On the other hand, the available housing units have always been in shortage looking to the increase in per capita income of the people. The boom in the real estate sector can be contributed due to its rising popularity; Government promotion, liberalization and the trading policies towards encouragement for joint ventures with multinational companies.

The FIVE YEAR PLAN as governed under planning commission earlier has now come under Niti Aayog as declared by our Prime Minister Mr Narendra Modi. A shortage on 22.4 million residential units has been estimated during the tenth five year plan. To meet up with such demand, the pace of construction has seen a drastic increase and seen to be growing within next fifteen years to come. The industry is very optimistic with lots of hope creating the desired affordable homes projects. The smaller apartment units are given a better promotion due to there being great demand through developments in residential plots, housing complexes and luxury housing units. ▶

# REAL ESTATE MARKETING

Marketing the product for any institution is the backbone for any industry to grow. The strategies taken over by the management and their implementation can bring out the desired results at any policy level.

Creating awareness for the customer and putting forth the projects decides the feasibility of any affordable housing scheme or real estate sector. The experienced marketing team with openness to prevailing trends in the country has always helped any economy to take off in the fields of infrastructure. In the last few years we have witnessed great activity in the real estate sector. This in fact has not brought about the results predicted. The reason being approach to the customer, easy accessibility, making the concepts clear, and assisting in finance are the major thumbnails to sustain growth.

On the other hand, customers need to know about their rights and responsibilities before venturing into any buying transaction. This can effectively be achieved through IT. By the virtue of computerization, the construction sites and their accessibility, area and size has gone into the laptops of prospective buyers. Now one does not need to go around the city sweating out to choose a potential home. This could only happen by the realistic, methodical and organized approach by the builders explaining each and every feature of the project and putting reliable efforts with transparency. This is an ideal situation as seen through the global trends available in the leading economies. Such policies help out to bring a positive attitude authenticating the deals and transactions intended with genuine credibility.

The publicity, the advertisement over digital media, the vernacular newspapers, logistical support and the like are the contents which go hand in hand for both customers and the suppliers. In the absence of such promotion, the projects just keep hanging in brochures. The customers cannot be made aware and the profitability cannot be arrived. Marketing techniques are the deciding factor in all transactions to derive financial stability in the housing projects and commercial complexes from real estate promotion. Buyers intending to go for any deal would first prefer the location, easy connectivity, the layout plans with greener pastures.

Another few deciding factors are providing 24 hour backup of electricity and water. The security and the guards on watch are also reviewed by any buyer before going for a deal. Schools, hospitals, recreational facilities, children area and pools are few such features which can be very well marketed in order to attract the customer for closing the deal. ▶



## CURRENT TRENDS IN INDIAN REAL ESTATES

**THE INDIAN REAL** Estate is constantly evolving day to day in every aspect. It is not constant. It keeps changing form according to the needs and wishes of the people. If one is wishing to buy a new home, it now does not bother him to know about what is going on in the market or what is the current trend in the market.

### One should pay attention to these current trends when considering the markets:

#### 1. Stabilization of Home Prices

Home prices have been continuously increasing in the recent years. The Federal Reserve has increased interest rates for the very first time in a year, which could have a stabilizing effect on the home prices.

#### 2. Demand for Housing Could Heat Up

According to the National Association of Realtors, we could see an uptick in the demand for properties in 2017. New home sales is also predicted to reach 6 million in 2017 according to NAR. In addition to purchasing single-family homes, younger buyers may buy condos as well.

While big cities are still popular among young adults, on the other hand, many millennials are interested in living in suburban areas. Another Research from Zillow states that that 47% of millennial homeowners have opted to buy houses in the suburbs, largely due to the lower cost of living that it requires. The amenities which are offered by many suburban areas on offer are also appealing, even if it means that homeowners have a longer commute.

This trend could be proved as good news for suburban homeowners who are planning to put their homes on the market in 2017. For buyers, the primary and the uttermost advantage of choosing the suburbs over the city is the ability to stretch their budgets for long. It will also ultimately help in preserving the assets for long and will increase the savings for sure.

#### 3. Homeowners Could See Their Equity Rise

The homeowners or the homebuyers will be advantaged when there is a rise in equity. The National Association of Realtors is estimating a slowdown in home prices. On the other hand other housing industry experts are taking a different stance. CoreLogic, for example, is estimating a price increase of 5.2% by September 2017. In case the home prices increase at that rate or near to it, some homeowners would definitely see their home equity rise.

By having more equity in one's home is a plus if you're hoping to sell your home or refinance. The more equity you have gained in your property, the more you stand to make if you decide to sell your house. If you are refinancing to

take equity out of your home for a major renovation, a higher equity value will give you an increased borrowing power.

#### 4. Supply May Shrink in Some Cities

In spite of rising demand, available housing can be inactive in certain markets. According to the records presented by National Association of Realtors, the number of available properties has gone down by 4.2% between 2015 and May

According to data released by Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received Foreign Direct Investment (FDI) equity inflows to the tune of US\$ 24.28 billion in the period April 2000-December 2016.

2016. Currently, inventory is slowing down by an average of 11% in the top 100 major metro markets. Although this is not expected to change much in 2017, which ultimately means that buyers could face more competition when they attempt to purchase new homes.

#### Final Word

The trends which can affect buying and selling of houses shall always be kept abreast. So as to avoid one being carried away by the malpractices of unscrupulous estate agents one must be aware of the gap between supply and demand not allowing oneself to be fleeced. Also the interest rates must also be considered before signing off. Foreign developers infusing the foreign funds have always been encouraged by the government to infuse equity in a larger perspective, setting up a strong base for the housing sector. ■

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## The Real Estate (Regulation and Development) Act, 2016 TO PROTECT HOME-BUYERS



**Mr. Brij Bhushan**  
Chairman & Managing Director of  
BMB Developers Private Limited  
Renowned Real Estate Developer  
and Builder in South Delhi  
on the RERA Law

**Q Can you please update the readers of The AWARE CONSUMER on the fate of The Real Estate (Regulation and Development) Act, 2016?**

I am happy to say that The Real Estate (Regulation and Development) Act, 2016 has finally got legislated by an Act of the Parliament of India which seeks to protect home-buyers as well as help boost investments in the real estate industry. The bill was passed by the Rajya Sabha on 10 March 2016 and by the Lok Sabha on 15 March 2016. The Act came into force from 1 May 2016 with 69 of 92 sections notified. The Central and state governments are liable to notify the Rules under the Act within a statutory period of six months. The Ministry of Housing & Urban Poverty Alleviation notified 69 of the act's 92 sections that come into force from May 1, 2016. Rules for implementing the provisions of the act have to be formulated by the central and state governments within six months - by October 31 - the maximum period stipulated in Section 84 of the act. The real estate panorama is set to change soon. May 1, 2017, is the date when the Real Estate (Regulation and Development) Act, 2016 (RERA) becomes effective in the entire country. So far, Gujarat, Uttar Pradesh, Madhya Pradesh and Odisha have finalised their rules, while Rajasthan, Karnataka,

West Bengal, Maharashtra and Tamil Nadu have framed their draft rules.

**Q What are the key highlights of the new RERA Law?**

The Law seeks to protect the rights of home buyers, mandates registration of projects, including those that have not got completion or occupancy certificates. The Real Estate Act makes it mandatory for all commercial and residential real estate projects where the land is over 500 square meters, or eight apartments, to register with the Real Estate Regulatory Authority (RERA) for launching a project, in order to provide greater transparency in project-marketing and execution. All the on-going projects, which have not received completion certificate on the date of commencement of the Act, will have to seek registration within 3 months. Application for registration must be either approved or rejected within a period of 30 days from the date of application by the RERA. On successful registration, the promoter of the project will be provided with a registration number, a login id and password for the applicants to fill up essential details on the website of the RERA. For failure to register, a penalty of up to 10 percent of the project cost or three years' imprisonment may be imposed. Real estate agents who

facilitate selling or purchase of properties must take prior registration from RERA. Such agents will be issued a single registration number for each State or Union Territory, which must be quoted by the agent in every sale facilitated by him. The Act prohibits unaccounted money from being pumped into the sector and as of now 70 per cent of the money has to be deposited in bank accounts through cheques. A major benefit for consumers included in the Act is that builders will have to quote prices based on carpet area and not super built-up area, while carpet area has been clearly defined in the Act to include usable spaces like kitchen and toilets.

**Q Do you feel the Law will move towards ensuring consumer protection and standardizing business practices and transactions in the real estate sector in India?**

The Law in my view is pro-consumer and is extremely customer/buyer centric. It will promote consumer protection in the real estate business in India. The Law enables setting standards for the real estate sector and performs the critical task of identifying and allocating risks associated with construction and development projects. The current approach of the Act is to uniformly regulate different types and sizes of projects and its implementation will require significant capacity building at the state-level. The Act disrupts existing sector practices to raise efficiency of the real estate market and is likely to benefit all stakeholders by imposing financial

and operational discipline, accountability and diligence. The Act defines key terms such as 'apartment', 'carpet area' and '(rate of) interest', which will help in homogenizing sector practices and prevent abuse of consumers due to biased classifications such as 'super built-up area' etc. The promoter is required to declare that it has legal title to the project land or authenticate validity of title, if such land is owned by another person. The promoter is also required to obtain insurance for title and buildings along with construction insurance. The promoter is prohibited from creating any charge or encumbrance on any apartment after executing an agreement for the same. In the event such charge or encumbrance is created, it will not affect the right and interest of the concerned consumer. The promoter is not permitted to alter plans, structural designs and specifications of the land, apartment or building without prior consent of two-third of the allottees. The promoter is also not permitted to transfer or assign majority of its rights and liabilities in a project without such consent, along with the RERA's prior written approval. The Act prohibits real estate agents from facilitating any sale or purchase of plots/apartments in projects without obtaining registration with the RERA. The agents are required to facilitate access of project information to consumers at the time of booking and refrain from making false statements, misleading representations and indulging in unfair trade practices.

**Confidence Boost**

**Current state: 69 of the Act's 92 sections notified**

**In the offing:**

- Rules** have to be formulated by the central and state governments by October 31
- Housing ministry** will make the rules for Union Territories
- Ministry of Urban Development** will make rules for Delhi
- Real Estate Regulatory Authorities and Appellate Tribunals** will be set up

**Experts say**

**New rules should address problems faced by builders in getting sanctions & approvals in a timely manner**

**Registration will require builders to set aside 70% of the funds collected and pay interest in case of delays**



The Real Estate Act makes it mandatory for all commercial and residential real estate projects where the land is over 500 square meters, or eight apartments, to register with the Real Estate Regulatory Authority (RERA) for launching a project, in order to provide greater transparency in project-marketing and execution.

**Mr. Brij Bhushan**  
Chairman & Managing Director of  
BMB Developers Private Limited

**Q What are the dispute resolution mechanisms suggested in the RERA Law?**

The Act provides for time bound resolution of complaints and disputes by the RERAs and the real estate appellate tribunals. The Act also provides for refund of amounts paid by consumers (along with interest and compensation) for promoter's failure to give possession of the apartment in accordance with the agreement for sale, or any breach of such agreement. The Act provides that a specified form of agreement for sale between promoters and consumers may be prescribed, which will prevent inclusion of biased provisions in it. Consumers have also been granted the right to seek relief for unilateral termination of such agreements by promoters without cause. The promoter is responsible for structural defects or other deficiencies for a period of 5 years from the date of delivery of possession. The intent of the Law is to bring transparency and safety in the market for consumers of residential and commercial projects by introducing a sectoral regulatory mechanism. The Act seeks to address distortions in the real estate market due to the asymmetrical relationship between real estate developers and consumers. Preventing structural abuse of dominance in a sector that has been rated as the second lowest in terms of consumer satisfaction is also a key objective of this legislation. The Law contains several provisions to address the lacunae in the real estate market, principally by way of establishing a disclosure framework and setting strict liabilities for promoter irregularities. The Act provides that a specified form of agreement for sale between promoters and consumers may be prescribed, which will prevent inclusion of biased provisions in it. Consumers have also been granted the right to seek relief for unilateral termination of such agreements by promoters without cause.

**Q According to you, what are some of the shortcomings of the Law?**

Though the passage of the Act is a significant move, it falls short of holistically regulating the real estate sector and addressing some of the fundamental issues associated with it. A few shortcomings in my view are, Capital efficiency: The requirement to deposit 70% of sale proceeds in a separate account will impact the utilisation of project receivables and increase promoter reliance on institutional capital such as private equity or bank finance (which can be expensive). This will definitely lead to an escalation in project costs, which may then be passed on to the consumers. The second major shortcoming is the approvals process: Under the Act, all necessary approvals are required to be obtained prior to project launch, instead of certain specific approvals as previously required. This may delay project initiation and restrict supply of new properties, which will deny choice to the consumers. There is no single-window clearance approval process which could further add to the delays in project launch. Also, the Act does not assign liability for project delays attributable to state agencies or Government Departments. The Act neither establishes a conclusive title system for land, nor addresses the issue of availability of housing stock across all income categories or the practice of using black money in real estate transactions. ▀



# THE PRESCRIPTION

## Housing Loan Tips



POOJA  
KHAITAN

One thumb rule says your monthly outgo towards all your loans put together should not be more than 50% of your monthly income.

Taking a house on loan is indeed a big deal for everyone. It is a life-time decision which needs to be paid attention to. So, to avoid any surprises later, it is very important for everyone to select the right home loan.





There are some good and useful tips for home loans which are listed below:

### Good & Proper Research

By proper & good research it means, one should not only perform the acts said by the estate agent but one should definitely apply their brains and do proper research about the home loan or the product of the home loan.

### One should spend conservatively

A tab should be kept on one's spending during the home loan tenure. As it's an old saying- "A penny saved is a penny earned," holds true in case of home loan as well. When one saves money, it could actually be used to foreclose the loan. Therefore also avoid being 'penny wise and pound foolish.'

### Parking one's additional funds

A lot of banks have a facility which allows borrowers to park their additional funds in the loan accounts which will reduce the interest proportionately from the principal amount for the time that the amount was parked.

### Learning what is floating or fixed rates

There are two types of interest rates offered by the banks: Floating and Fixed interests. Floating interest rate is linked to market and moves in tandem with a base rate. On the other hand, fixed interest remains fixed for a few months defined in the loan agreement. It is essential to understand that in most cases floating rates work out cheaper than fixed rates in the long run.

### CIBIL Score

It is essential to have a score of 750 plus for getting attractive rate of interest on one's Home loan. Cibil data expresses 80% of the home loan approvals which are given to customer who have a credit score of 750 plus. An indication of a Low Cibil score could possibly reject your Home loan application or you may have to pay a higher interest rate.

### Understanding foreclosure norms

Recently, RBI banned foreclosure penalties. It has been done so that everyone makes sure no one pays anything extra.

### Save up to foreclose

If one can save Rs 1 lakh in the current fiscal, it should be used it to foreclose your loan.

### Comparing processing fees

The processing fees should be compared whether it is for a fresh loan or for a balance transfer. Proper enquiry should be made in all the banks before one finalizes anything.

### Reading carefully the documents

Reading everything carefully written in the loan agreement before signing on the dotted line is very important. One should be aware of the terms and conditions.

### Increasing the bridge funding

Every borrower has to pay some money from his own pocket while buying a house. He should try to pay as much as possible as down payment. This will reduce the interest paid on the principal.

### Don't borrow more than you can repay

The last but not the least is the golden rule which needs to be paid attention to while taking a loan. This is smart borrowing and it is what the older generation has been telling us all the time : not to live beyond one's means. One should take a loan that one can easily repay. One thumb rule says that car EMIs should not exceed 15% while personal loan EMIs should not account for more than 10% of the net monthly income. Thus your monthly outgo towards all your loans put together should not be more than 50% of your monthly income. ■

## HOME AUTOMATION AND REAL ESTATE INDUSTRY

Home Automation is the residential extension of building automation. It involves the control and automation of lighting, heating (such as smart thermostats), ventilation, air conditioning (HVAC), and security, as well as home appliances such as washer/dryers, ovens or refrigerators/freezers. They use Wi-Fi for remote monitoring and are a part of the Internet of things.



**INDIAN HOUSING AND** real estate industry has come a long way in terms of infrastructure and technology, as Home automation has become a considerable criterion for today's buyer. Empowered with more disposable income, India's growing middle class is now looking for a lifestyle that addresses their needs for functionality, efficiency, and sustainability.

The idea of automated homes has changed from pressing buttons to open doors to securing your house and being able to remotely observe your premises and to control your lighting and air conditioning system. And as an add-on, automated homes tend to be more energy efficient than conventional homes.

Smart Home technology is the added value which can make housing and real estate projects unique and more attractive for the customer and is one of the rising concepts that have the potential to bring in radical changes and create better opportunities for the real estate developers.

*No doubt, customer is the king.*

Growing rivalry in real estate market and growing desire to invest in the sector makes the customer always search for unique properties. But, it is very difficult making a distinction between companies.

### **Home automation Systems increases the value of your home**

*Who doesn't want his apartment to look aesthetic tastefully, appealing, comfortable enough with automation system making a lasting impression of luxury in their minds?*

Here we must not make haste in the market to buy or sell. Home automation comes as an eye opener taking the customer into the dreamland of his dream house. Soft handling of



equipment, doors, curtains, electrical lights on a single click are always welcome by the prospective customer. This is a manner where the builder can instill his confidence into the minds of the ultimate buyer creating interest and thus making the experience memorable.

### Home Automation Will Save You Money!

There is always the contention of increased expenses to move in for home automation. But it is the design, the presentation and the long term benefits that can bring in the desired results of financial investments. Ultimate buyers always welcome the reduced overhead electrical bills, installation and home automation security systems. The easy features provided by the housing projects installed in one go shall save time and money of the buyer rather than going round the market each time for different requirements.

### Home Automation is the way of the future

The style statement and the high standards are the by-products these days by virtue of home automation. They have become part of our everyday lives. It is always expected by the customers to have these installed before they move into their dream homes. Remote monitored home security systems at the touch of a button are increasing in an unprecedented manner. The customers do not mind paying extra for all these basic amenities. The real estate developers are today using new technologies. You lead with the latest technology investing into home automation.

The technology has swooped in on minds of all. People are very much induced from smart phones to smart homes. This is up-gradation of current home projects, equipment and technology. The luxury in the earlier years has come into necessity in the current scenario. Premium features always define the smartness of assets that one possesses. Smart technology here makes you smartly moving into smarter homes. The housing projects have found this to be the pulse of selling smart homes easier than others. The real estate sector has been able to sustain the industry on the basis of home startups kits towards smarter homes offering packages to the potential buyers. It's always different going for a latest technology which has taken the industry by open arms. The housing sector these days has come out with options of gadgets, packages, equipment towards home automation which finds most inquiries amongst the buyers. Multiple sensors giving

*Growing rivalry in real estate market and growing desire to invest in the sector makes the customer always search for unique properties.*

alarms to your smart phones, the key-less entry again from the smart phones into your home has become a reality today from the advantage of real estate sector becoming fully automated. These are compatible smart home devices. Finally, when the buyer enters into dream home, he feels proud by the elevated high standard and finds himself on top of the world showing the home automation to his relatives, visitors and friends.

We all know that anything comes for a price! The architecture, the designing, well laid floors attractive wall finish along with greener spaces has found their way into home automation.

In India, following the boom in the realty sector, new home buyers have started to opt for add-ons like automation in their houses or property. In the past, automation was mainly installed in commercial buildings like malls and shopping centers and high-end apartments. Slowly, the concept of a smart home has penetrated down to more modest, mid-sized apartments as well. As home automation systems become available at affordable prices, demand will increase for smart technologies; a more digital lifestyle per square foot will certainly dominate the future concepts of a home. ▶



## SUGGESTIONS FOR BUYING A HOME

Some suggestions to be kept in mind before buying a home are:

### • Knowing how much of a loan one can qualify for

In determining how much a potential buyer can afford, the potential buyers should consider their loan to value ratio. This will help them in knowing what they can afford. It is calculated by dividing the loan amount over the appraised value or purchase price of the home, ultimately whichever is lower. A higher LTV especially above 80% may negatively impact pricing and many a times implies the added expense of private mortgage insurance.

### • Determining what one can afford

Future homeowners should understand how much of a monthly mortgage payment they can afford by determining their debt to income ratio. The ratio is calculated by dividing all monthly expenses such as, taxes, mortgage payments, insurance, credit cards, student loans and auto loans and by the total monthly gross household income. Monthly debt only includes items that appear on a credit report, so this would not include a cable bill or groceries. It's best to not let the DTI ratio exceed 43%, but mortgage lenders may have a lower DTI ratio that you cannot exceed.

### • Talking to a lender

Throughout the entire home buying process, it is important for homebuyers to look to their lenders for guidance. A lender can help calculate both upfront and monthly expenses and can recommend mortgage options that help in reducing costs associated with home buying.

### • Doing homework and preparing a budget

After completing the consulting with a lender, homebuyers should plan for expenses associated with buying a home such as property tax rates in the neighborhood they are considering or looking for. They should also prepare for the unknown TD's (tax

deductions). First-Time Homebuyer Pulse Survey found that 17% of first-time buyers haven't set aside money for unexpected repairs and costs. Buyers should prepare a cushion for unexpected repairs and other expenses that may arise throughout the process.

### • Credit counts

It is important making sure that all accounts listed under one's name belong to you and that the account balances are accurate or you may run into trouble when qualifying for a loan. It can take several months to have an error removed from one's credit report. The earlier you look the more time you give yourself to fix any problems.

### • Automating one's down payment savings

Here it is necessary to understand it is never late to save too much. Just as a person starts earning he must inculcate a habit of saving, which might be at any level. A disciplined saving of about 40% of the income must be parked into the best schemes available in the financial market. This way even putting in Rs 1000 per month for 20 years from the age of 20, we can find that the receiver can be rich by over Rs 1 crore after the span of 20 years. Thus it explains that down payment for buying a huge house does not require an immediate arrangement of cash. This can easily be done by the methodical savings made into available attractive instruments in the finance market.

### • Practicing living on a budget

A buyer before deciding to purchase a home must keep into consideration the cost of renting vs. buying for comparison in the area he is interested to dwell. If the mortgage for the home is going to take a big chunk of income then you must be ready to create a big budget visualizing your future needs and requirements. This highlights the factor of area, home size, budget, and fitting into such accommodation. The budget should be analyzed in such a manner that it helps you to be thrifty in order to save more for the down payments or buying related costs of the home. ▀





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