

About the Author –

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“Review of Investment in Real Estate”

Introduction: Investment in various sectors in India are

- 1.Fixed Deposits or Mutual fund in Banks
2. Share or commodity market in stock exchange
3. Gold
4. Real Estate.

Real estate can be proved to be the best one if you are able to lock your investment amount for long term of more Than Five years.

we will discuss and compare it with other ways of investments

Aim and objective: comparison of various types of investment with Real Estate would enable us to make a Very Good financial portfolio. And we can set proportions of the Investments in various available options.

Before comparing the investment in Real estate, let us understand how the financial growth is achieved in the investment.

Let us consider an example of a plot in residential layout near a city Whenever the development starts in the vicinity, even a small residential bungalow/Apartment building etc. adds value to your investment. Thus, every individual construction goes on adding some value to your investment in the plot. To achieve good returns, you can observe the temporal development of the city by studying development plan of the town, wherein you can see a pre planned temporal growth of the city.

Apart from Natural rise in inflation index, rate of increase in population density, addition of amenities like school, banks, petrol pump etc...in the near by surrounding also cause rise in the land valuation.

i.e.,

rise in value of the plot

=

natural rise
due to inflation + Index

Rise in the value due to
Development of Amenities in the
surroundings

if these factors are considered against the Investment in Bank Fixed deposits you get simple interest in case of monthly return scheme or compound interest of merely 5 to 6 %,

Natural rise in inflation index does not cause rise in your basic (principal amount) FD amount.

Though, the investment in real estate is not easily liquidable, you can avail loan against mortgage of the property.

Case study:

Considering rise in the rate per sqm of plots in a typical small residential layout on a land bearing s.no. 56/2, Sundar nagar in Dudhale, Dist. Nandurbar in Maharashtra state, if compared against the investment in gold and Fixed deposits, it shows that % rise in twelve years is 550% in real estate (plots) while that in gold and FD is around 250 to 285 %

Conclusion: - The amount of return in the real estate is almost twice of that in other types of investments if you study the temporal development and zones in the development plan or regional plans before investing. Even if you need to pay 20% capital gain tax, you are still at good profit.

You can make a good pension plan for your future if you start investing money at early stage of your earning. But for this purpose, it is advisable to invest in small plots, so that you can get its returns in future in the required small amounts.

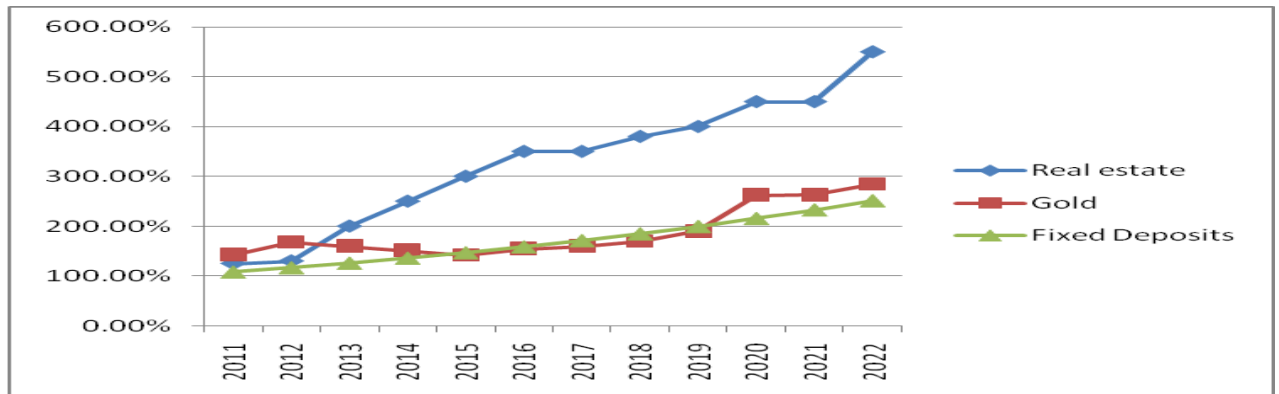
Now a days home loan is available at 6.5 to 7% rate of interest, so it is very advantageous to purchase the home at such low rate of interest, because valuation of your property will increase much more than what you pay for purchasing it along with interest.

Table showing comparison of returns from Bank FD, investment in Gold and Investment in real estate.

sr.no	year	Rate of plot per sqm	cumulative % increase in rate per sqft	gold rates Rs. per 10 Gm	Cumulative % increase in rate per 10 gm of Gold	Fixed deposit principal amount at 8% rate of interest	cumulative % rise in FD amount
1	2010	1000	0.00%	18,500.00	0	10000	0
2	2011	1250	125.00%	26,400.00	142.70%	10800	108.00%
3	2012	1300	130.00%	31,050.00	167.84%	11664	116.64%
4	2013	2000	200.00%	29,600.00	160.00%	12597.12	125.97%
5	2014	2500	250.00%	28,006.50	151.39%	13604.89	136.05%
6	2015	3000	300.00%	26,343.50	142.40%	14693.28	146.93%

7	2016	3500	350.00%	28,623.50	154.72%	15868.74	158.69%
8	2017	3500	350.00%	29,667.50	160.36%	17138.24	171.38%
9	2018	3800	380.00%	31,438.00	169.94%	18509.3	185.09%
10	2019	4000	400.00%	35,220.00	190.38%	19990.05	199.90%
11	2020	4500	450.00%	48,651.00	262.98%	21589.25	215.89%
12	2021	4500	450.00%	48,720.00	263.35%	23316.39	233.16%
13	2022	5500	550.00%	52,690.00	284.81%	25181.7	251.82%

Graph showing yearly cumulative % Rise in the investments



References: Actual survey of rise in real estate and rates of gold available from net / google search.

Testimonial Note: I am very much thankful to you for giving me an opportunity to express my views by using the platform of IOV RVF journal.