

# NRIs must avoid impulsive realty purchases during short visits

They should hire a property consultancy or a lawyer to do due diligence on their behalf

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**N**on-resident Indians (NRIs) visit India in large numbers between October and December. During their brief sojourns, many try to purchase a residential property.

This year they are expected to evince high interest in residential realty due to a variety of factors, says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisers: "Developed world equity markets have corrected sharply. A strong dollar has increased US-based NRIs' purchasing power. With the global economy heading towards a recession, Indian equities, too, could correct. The turnaround in Indian real estate over the past year or so has also made many keen to consider this asset class."

## KEY DECISION POINTS

**Choice of city:** According to experts, NRIs wanting to settle in India after retirement are often governed by emotions. "Most people prefer cities where their social circle exists. It is usually the city or town of their origin, or one close to it," says Shalin Raina, managing director, residential services, Cushman & Wakefield India. He adds that retirees can also opt for second-home destinations like Goa, Shimla, and so on.

Those who intend to work should focus on employment hubs, like Bengaluru, Hyderabad and Pune for information-technology professionals. "The availability of good schools and colleges for their children would be an important consideration for them," says Santhosh Kumar, vice chairman, ANAROCK Group.

NRIs should factor in pol-

lution and traffic levels. Says Dhawan: "Access to top-notch health facilities should be a key consideration for retirees."

**Ready to move (RMV) or under construction (UC):** The timing of an NRI's return to India is a key factor in this decision. "Those looking to move in immediately would prefer an RMV property while those returning after a few years may opt for a UC property," says Kumar.

The NRI's risk appetite is another consideration. The risk-averse ones should opt for an RMV property. "An RMV or near-completion project would be an ideal choice," says Anshuman Magazine, chairman & chief executive officer (CEO)-India, South-East Asia, Middle East & Africa, CBRE.

Those who need a staggered payment plan may opt for a UC property. "They should invest with a category A developer after doing adequate due diligence on him," says Raina. **Type of development:** When deciding whether to invest in a villa or an apartment, Magazine suggests NRIs be guided by their budget. The type of property they have lived in abroad should be another consideration.

Says Kumar: "Depending on location and other factors, villas offer greater return on investment as the price of the plot on which they stand appreciates. Apartment prices usually remain stagnant or depreciate relative to their peak levels as buyers prefer newly-built complexes (Mumbai is an exception)." He warns that villas may pose security issues unless they are within a gated community.

According to Vikas Wadhawan, group chief financial officer, Housing.com, PropTiger.com & Makaan.com,



## DUE DILIGENCE NRIs MUST DO, OR GET DONE

- **Check the developer's track record** on timely delivery of property in the past
- **Check the quality of the projects delivered in the past** and whether he delivered all the promised amenities
- **Did he stick to the promised layout**, or did additional developments come up on common areas? (Do these checks by

visiting older projects)

- **Hire lawyer to ensure the title of the land** on which the project is being developed is legally unencumbered
- **Check whether the apartment being sold** is mortgaged to a bank or an NBFC
- **Is the under-construction property RERA approved** and does it have other necessary clearances?

"Villas offer greater freedom but cost more. Apartments are more cost-effective and also offer greater ease and convenience."

**Timing of purchase:** NRIs should also weigh the pros and cons of purchasing early versus postponing the purchase until close to their return. By buying early, they will secure a valuable asset at a better price.

Buying closer to retirement, too, has its advantages, especially for end users. "The property will be new and the amenities within it will be in tune with the latest lifestyle trends," says Dhawan.

He suggests purchasing closer to retirement for one more reason. "The NRI will be more aware of his needs by then. Many of the above-mentioned choices become easier to make when a property is bought closer to the date of return," says Dhawan.

**Maintenance burden:** NRIs who are still living abroad should be aware that maintaining a property in India can be an onerous affair. While the father is alive, he may look after the property. Siblings may or may not be able or willing to do so. "Such NRIs may consider investing in real estate invest-

ment trusts (REITs) as an alternative," says Dhawan.

The choice of city should also be governed by the maintenance aspect. "If your relatives are in one of the metros, and you purchase a property in a hill station, it may be difficult for them to look after it," says Dhawan.

When deciding on the type and size of property, Dhawan suggests that retirees in particular must pay heed to the fact that maintaining a very large property may become difficult as they age.

Nowadays, professional firms that offer property management services are emerging. "Professional upkeep of your property can be managed by property consultancies. They also offer rental services to help find the right tenants," says Kumar.

## KEY CHALLENGES NRIs FACE

NRIs at times make purchases based on presentations made abroad. They must do adequate due diligence. "They should view properties virtually and shortlist a few before coming to India," says Kumar. Site visit prior to purchase is a must.

NRIs should also avoid hurried decisions during short trips as there is a chance they could make the wrong choice or pay more. Since real estate is an illiquid asset, the purchase decision is hard to modify. "Since NRIs are less aware of ground realities, they should seek professional guidance and services from an accredited and credible property consultant for the entire purchase process," says Magazine.

Wadhawan suggests NRIs hand over power of attorney to a competent and trusted person to carry out tasks on their behalf in their absence.