

Advertorial, Property Promotional Feature

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A bad real estate market drawing blood for the end user is a well known fact. Industry experts differ in their opinions but every developer seems to be doing his best to not let the buyer feel the burden.



AN EXPENSIVE AFFAIR

Kishore Amati analyses the rising cost of construction and its impact on the real estate market

events. Fixed costs are the cost of land, licence fees and overheads of the office. Also unreasonable govt policies like ban of extraction of sand, mining of black metal and laterite stone affect the pace of work and thereby delay handing over of completed projects. Needless to say, this adds to the costs. We have to prepare ourselves for major variable costs like these."

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their opinions but every developer seems to be doing his best to not let the buyer feel the burden.

Salkar continues, "Most developers have a clause for escalation which clearly indicates the cost of raw material. It is possible to cal-

culate the difference in the cost of material used and this can be billed to the consumer. The developer usually bears the difference if it is within a 10-12% range of the cost of construction." Shekhar agrees and adds, "Anything be-

yond the margin of 10% throws us off balance. We, as developers, cannot afford to feel the burden thereafter else you start moving from business to charity." Bhasin slightly differs in his opinion. He says, "In a competitive

market it's not possible for a developer to pass on the burden to the buyer. While the base market price is determined by the law of Demand and Supply, 'premium' can only be charged for higher value specifications and better quality of construction. The additional specs are anyways possible only at an additional cost to developer. A good developer makes a conscious effort to enhance the value of the project by incorporating these add-ons. It is this 'premium' that is generally misunderstood as passing on the burden to

the buyers, which is not the case. The developer has to keep the prices realistic in this competitive market."

Industry experts have always been emphasizing on the benefits of buying property as early as possible. It is noticeable that the cost of apartments increase as the project nears completion. This is because expenditure incurred is now calculated and passed on to the consumers who buy later. But the new buyers aren't the only ones to be affected. Salkar explains, "Most people will fund their homes with a housing loan, so they too will be paying EMI & PRE-EMIs. This outflow will be almost equal to the difference in the cost of acquisition." Bhasin nods in agreement and adds, "While the developer carries the risk of higher material cost, it is the buyers, whether new or old, who will face the pinch of government charges like Service tax (applicable from June 2010) and VAT, which are now mandatory. No other burden can be passed on to them."

Besides rising prices, sharp rise in lending rates by banks has hit the realty

sector severely, a majority of the construction material manufacturers and traders said, adding that instead of passing on the raise in raw material cost to end consumers, they are cutting down the production. Therefore, bankers and experts feel availability of funds to the realty sector must improve so that supply of houses continues in the market. As the festival season is round the corner, when demand of houses increases, the government and regulator must improve the financing condition so that the activities pick up further, rather stifle growth in the sector altogether.

QUICK BYTES

INDUSTRY EXPERTS HAVE ALWAYS BEEN EMPHASIZING ON THE BENEFITS OF BUYING PROPERTY AS EARLY AS POSSIBLE.

IT IS NOTICEABLE THAT THE COST OF APARTMENTS INCREASE AS THE PROJECT NEARS COMPLETION.

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