

Brick & Riches: Building Wealth Through Real Estate



Real Estate has long been a cornerstone of wealth creation in India, solidifying its position as the second largest employer after agriculture. The industry is experiencing a remarkable boom, with a projected growth from US\$ 200 billion in 2021 to a staggering US\$ 1 trillion by 2030 (industry reports). This upsurge is poised to make Real Estate a major contributor to the national economy, accounting for an estimated 13% of India's GDP by 2025.

But what makes Real Estate such a compelling investment option in India?

- 1. Rental Income Potential:** Owning a property presents a steady stream of income through rent. The latest data from Real Estate consultancy firm Anarock indicates that, Mumbai is one of the leading cities with a rental yield of 4.15 % in 2024 as against 3.5% back in 2019 - a 19% growth. Considering our new project coming up at Versova, Andheri West a flourishing locality known for its good connectivity and upcoming infrastructure projects, rental yields could fall within this range, offering a significant return on investment for a well-maintained project and a residence. Also, City-wide market rentals for office spaces have seen a slight uptick of 6% on y-o-y basis. Submarkets such as Powai, Malad Goregaon and Worli witnessed a strong annual growth of 11-12% given the steady leasing activity in superior-grade assets, says Cushman & Wakefield.

2. **Tax Benefits:** The Indian government offers various tax incentives for Real Estate investors. These can include deductions on interest paid on home loans up to INR 2 lakhs annually, depreciation on the property value and exemptions on rental income under specific schemes like Section 80C of the Income Tax Act. Real Estate Long Term Capital Gains exceeding two years has a flat tax rate of 20%, but offers tax-saving options through reinvestment in a new property (sections 54, 54F, 54EC). This can significantly reduce your overall tax burden.
3. **Evolving Needs:** The rise of co-living spaces and student housing caters to a specific demographic: young professionals and students seeking affordable and convenient living options. According to a report by JLL India, a leading Real Estate consultancy, the co-living market in India is expected to reach a staggering USD 2.7 billion by 2025.
4. **Peace of Mind & Stability:** Homeownership offers a sense of security and stability that's unmatched by renting. It removes the uncertainty of rent hikes and allows you to build equity in your property. For a growing family, a home provides a permanent space to create memories and fosters a sense of community. Studies have shown that homeowners tend to be more financially secure and have a greater sense of belonging compared to renters. Similarly, owning commercial Real Estate provides a sense of control and a hedge against inflation. Commercial properties tend to appreciate in value over time, offering a hedge against rising costs.
5. **Schemes & Subsidies:** For end-users, value for money remains a key concern. The good news is that several government initiatives, like the Pradhan Mantri Awas Yojana scheme, aim to make homeownership accessible, particularly for first-time buyers. This scheme provides interest rate subsidies and other benefits to eligible applicants. However, careful assessment of your budget is still crucial. Factor in long-term costs like maintenance, property taxes and potential home owners' association fees to ensure you can comfortably afford your dream home.

Real Estate in India remains a powerful asset class, offering compelling benefits for both investors and end-users. Because of these reasons, and with more and more accountability and regulations coming in, confidence in Real Estate overall is soaring, especially with investors who are increasingly attracted to the stability and potential returns offered by the Indian market. A strong economic outlook, coupled with an evolving market that caters to diverse needs based on data-driven insights, makes it an attractive investment option. With the Indian market poised for continued growth, now might be the perfect time to explore the power of investing in Real Estate.

ESTO Group is preparing to launch a new project at Versova, Andheri West; DM us to know more.