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Five reasons to opt for ready-to-move-in flat

No risk of delay, GST and tax benefits make them an attractive proposition

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The lull in the real estate market, especially residential segment, seems to have to revival in sight. Sales have come down to about 10% from its peak and developers are restraining themselves from launching new projects, a situation that is unlikely to change.

However, debunking the trend, DLF Ltd launched second phase of its luxury housing project 'The Ultima' in Gurugram and managed to sell about 75% of the units (376 units out of total 504 units) on the very first day. The project comprises of three-four bedroom apartments costing ₹1.6 crore and upwards.

If you are wondering how DLF was able to achieve such sales numbers, one important factor might be that the project is already completed and homebuyers can move in soon after buying the apartment. "Ready-to-move-in homes are much in demand across the nation and the Gurugram market in no exception," said Pankaj Bansal, director, M3M Group, a Gurugram-based real estate developer. Safety of investment, cost advantage due to no goods and service tax (GST) implication and instant gratification are important demand drivers, added Bansal.

But experts believe that such models are viable only for those developers who have enough liquidity to complete the project. However, due to slowdown, there is high inventory in the residential segment and there is no dearth of ready-to-move-in flats. Moreover, in coming months, new projects with ready-to-move-in homes are likely to hit the market.

According to a report by PropTiger, a real estate advisory firm, "India's nine major property markets would see the delivery of nearly 7.95 lakh housing units between October 2019 and December 2020. Over 3.1 lakh units are set to enter the market in the last three months of 2019, while the remaining 4.83 lakh units would be delivered through the course of 2020."

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Besides that, "26% of all units set for delivery in the next 15 months are unsold homes; new homebuyers will have plenty of ready-to-move-in options to pick from," said Dhruv Agarwala, group CEO, Elara Technologies, which now owns PropTiger.com, Housing.com and Makaan.com. Opting for ready-to-move-in property has its own benefits. Let's take a look at some of them.

NO RISK OF DELAY

When you buy a ready-to-move-in house, the biggest risk that you eliminate is project delay. You are not required to wait for the completion of the apartment and other amenities in the project.

The deadline that developers often gave earlier for completion was three years or so. After the implementation of Real Estate (Regulation and Development) Act (RERA), 2016, developers started giving a deadline of four to five years to avoid paying the penalty in case of delays. But, besides the developer's inability and fault, there are various other risks, which may not be in the hands of developer, which can sometimes result in project delays.

NO UNCERTAINTY

Uncertainty about space, size of rooms, view from the apartment, quality of construction, available amenities and fixtures can be eliminated when you buy a ready-to-move-in apartment. For the end-user, this makes the buying process simpler. The buyer would be more assured of what he or she is buying.

Remember, ready-to-move-in owners may have to pay a premium compared to under-construction ones

RENT OR EMI

You can start living in a ready-to-move-in house as soon as you buy it. If you are someone who would find paying both the rent and the home loan equated monthly instalments (EMIs) difficult, a ready-to-move-in home works well for you.

NO GST

Even after the reduction in GST, the developers in regular housing projects can charge GST at the rate of 12% with input tax credit (ITC) or 5% without the ITC. In the case of affordable housing projects, the developers can either charge GST at the rate of 8% with ITC or 1% without ITC.

However, GST is applicable only on under-construction properties and if you buy a ready-to-move-in house, you can save the GST cost.

TAX DEDUCTIONS

According to the Income-tax Act, 1961, if a homebuyer takes a loan to buy a house, she can claim deductions under Section 80C against the principal repayment of the home loan, which has an overall limit of ₹1.5 lakh and up to ₹2 lakh for payment of interest under Section 24(b) for a self-acquired house. There are additional deductions only for first time and affordable segment homebuyers.

However, you can only start claiming tax benefits once the construction of the property is complete and you get the possession. You are allowed to claim the interest paid on a home loan during the construction phase in five equal instalments post possession. But if the construction gets delayed and takes more than five years, the maximum deduction allowed on interest payment gets reduced to ₹30,000 instead of ₹2 lakh per annum. Moreover, the principal amount repaid during the construction phase is not eligible for any deduction at all.

WHAT TO KEEP IN MIND

Though there are benefits of buying a ready-to-move-in flat, homebuyers might have to shell out a little more on such purchases compared to under-construction ones as ready-to-move-in house generally command a premium over other under-construction properties in the vicinity.

Aside from this, in case of under-construction properties, homebuyers have more flexibility when it comes to making payments—they can either pay upfront or choose to make payments in accordance with the construction stage.

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