



PropGuru's

DEFINITIVE GUIDE TO

REAL ESTATE INVESTMENT



Propvitti
EMPOWERING YOU



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PROPGURU

With a deep understanding of the Vadodara real estate market, we provide prospective property buyers with accurate, insightful, and practical guidance to help them make informed Real Estate investment decisions, and ensure a holistic approach to real estate investment. Our objective is to enlighten the property buyers and guide them through the process, beginning to end or in between also.

PROPVITTI

We are a team of seasoned professionals from diverse fields and our collective experience spans decades, encompassing various facets of market research, consultancy and advisory services. Our mission is to support Real Estate ecosystem with local knowledge and global best practices.



EXECUTIVE SUMMARY

This guide provides a thorough analysis of Vadodara's real estate market, covering its socio-economic background, transportation infrastructure, urban planning, and both historical and current market trends.

Not all investment approaches are created equal, therefore identifying methods with a proven track record of tangible returns is essential to enhance investment experience. And we are confident that this definitive guide will illuminate time-tested strategies and help you unlock financial wealth from your investment journey.

Additionally, the guide discusses critical factors to consider when investing, legal considerations, and comprehensive investment strategies for both residential and commercial properties. Financial considerations, including taxation and related costs, are also meticulously covered to equip you with all the necessary information to navigate the real estate landscape of Vadodara successfully.

ABOUT VADODARA

Vadodara, often referred to as Baroda, is the third-largest city in Gujarat and an essential cultural and industrial hub. With a population of over 2 million, it is known for its rich cultural heritage, educational institutions, and robust industrial base.

Vadodara is strategically located on the Delhi-Mumbai Industrial Corridor, enhancing its connectivity and economic significance. The city boasts a blend of modernity and tradition, making it an attractive destination for real estate investments.

Vadodara's economy is driven by industries such as petrochemicals, engineering, pharmaceuticals, and information technology creating employment opportunities which attracts professional, skilled and semi-skilled migrants. Furthermore, city's educational institutions, such as Maharaja Sayajirao University, Navrachna University, Parul University and many such institutes contribute to its vibrant intellectual and skill base.

Vadodara provides facilities and amenities of a metro city with convenience of a town, and this we believe is a unique combination.

OVERVIEW OF LOCAL REAL ESTATE MARKET

a. Socio-Economic Outline

Vadodara's socio-demography constitutes a blend of local Gujaratis and professionals from across India, the city also has growing expatriate community including NRI's. This demographic diversity contributes to a dynamic real estate market.

The city's economic profile is diverse too, characterized by a blend of traditional industries and modern enterprises. Major corporates and industrial groups like Reliance Industries, Indian Oil Corporation, Gujarat State Fertilizers & Chemicals, Alembic Group, Sun Pharmaceuticals and Larsen & Toubro have a significant presence in Vadodara, contributing to its economic growth. Additionally, a host of city's educational institutions, including the prestigious Maharaja Sayajirao University, attract a large student population, further boosting the local economy. This socio-economic dynamism of Vadodara is marked by a high standard of living, a diverse cultural fabric, and a supportive business ecosystem, making it an ideal destination for real estate investment.

b. Transportation Infrastructure

Vadodara's transportation infrastructure is diverse, facilitating seamless connectivity within the country and beyond. City's strategic location enhances its accessibility, making it a crucial hub for trade, tourism, and daily commuting, thus significantly contributing to the city's economic and social growth.

Key elements of the city's transportation infrastructure include:

Rail: Vadodara, a key junction on the Western Railway, boasts excellent rail connectivity, linking it to major cities across India. As a vital node on the Mumbai-Delhi corridor, it handles numerous express and superfast trains, facilitating efficient travel to metropolitan areas like Mumbai, Delhi, Ahmedabad, and Surat.

Bullet Train: The proposed Ahmedabad-Mumbai bullet train, with a stop in Vadodara, is expected to significantly enhance the city's connectivity and boost real estate demand. This high-speed rail project will reduce travel time between major cities, making Vadodara an attractive destination for businesses and commuters.

Road: Vadodara's strategic location on the Delhi-Mumbai industrial corridor, coupled with excellent rail and road connectivity, makes it a key logistics hub. The city is well-

connected by the National Highways & Expressways, which links it to Ahmedabad, Surat, Delhi and Mumbai.

Airport: Vadodara Airport, also known as Civil Airport Harni, connects the city to major Indian cities such as Delhi, Mumbai, and Bangalore. The airport's modern facilities and increasing passenger traffic underscore its importance as a gateway to the city.

This robust infrastructure supports city's industrial activities, enhancing its attractiveness for commercial and industrial investments.

c. Urban Planning

Vadodara's urban planning is focused on sustainable development, modern infrastructure, and extensive green spaces. Local Municipal Corporation (VMC) & Urban Development Authority (VUDA) play a pivotal role in shaping the city's urban landscape, ensuring the development of well-planned residential, commercial, and industrial zones.

Smart City Mission: Vadodara is part of the Smart Cities Mission, aiming to enhance urban infrastructure, improve public services, and promote sustainable development. Projects under this mission include smart traffic management systems, improved waste management, and the development of clean and green public spaces.

Sustainable Development: The city's urban planning emphasizes sustainability, with initiatives such as rainwater harvesting, solar power generation, and green building practices being encouraged.

Above urban planning enhance the quality of life for residents and contribute to the city's aesthetic appeal.

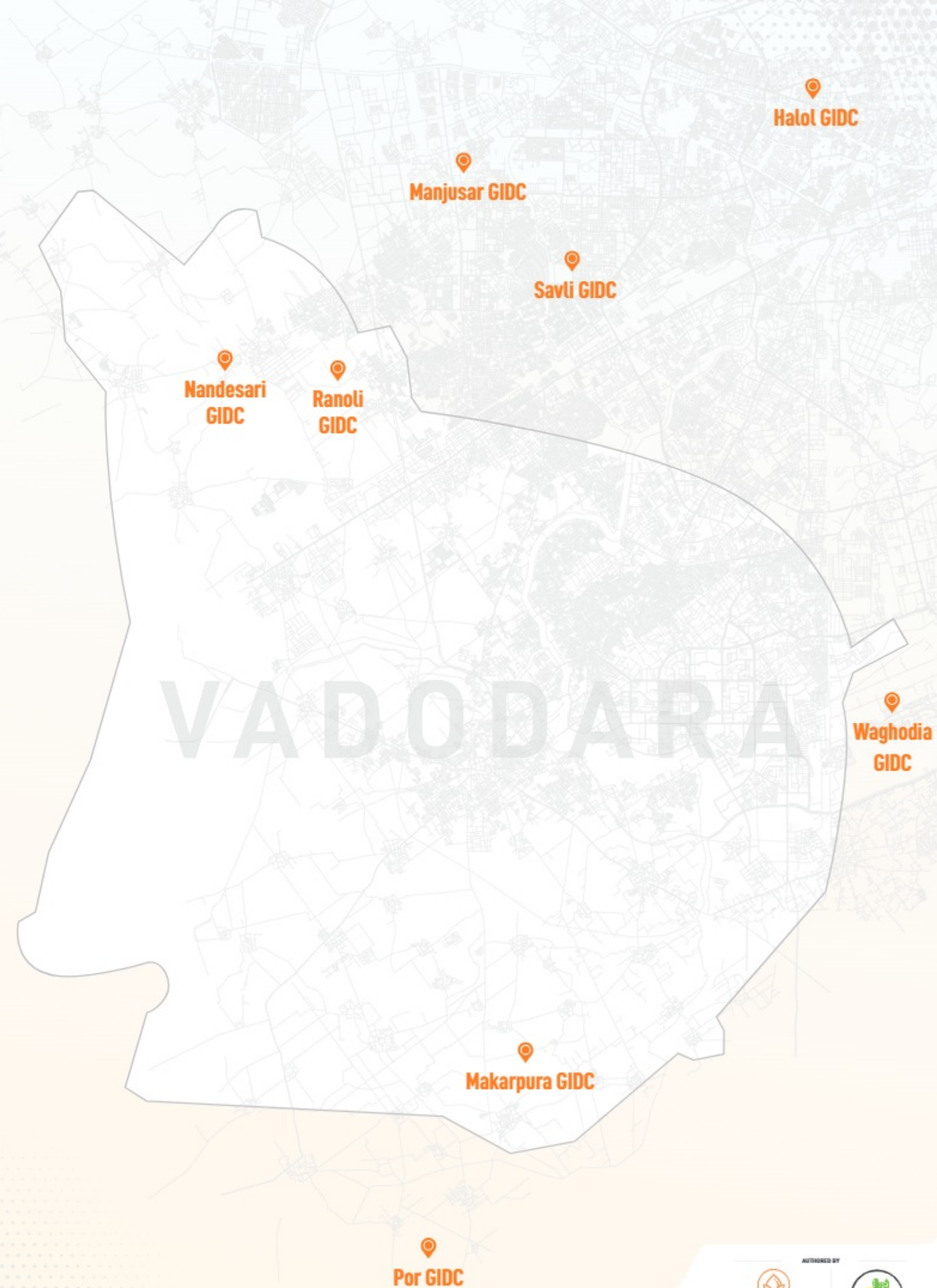
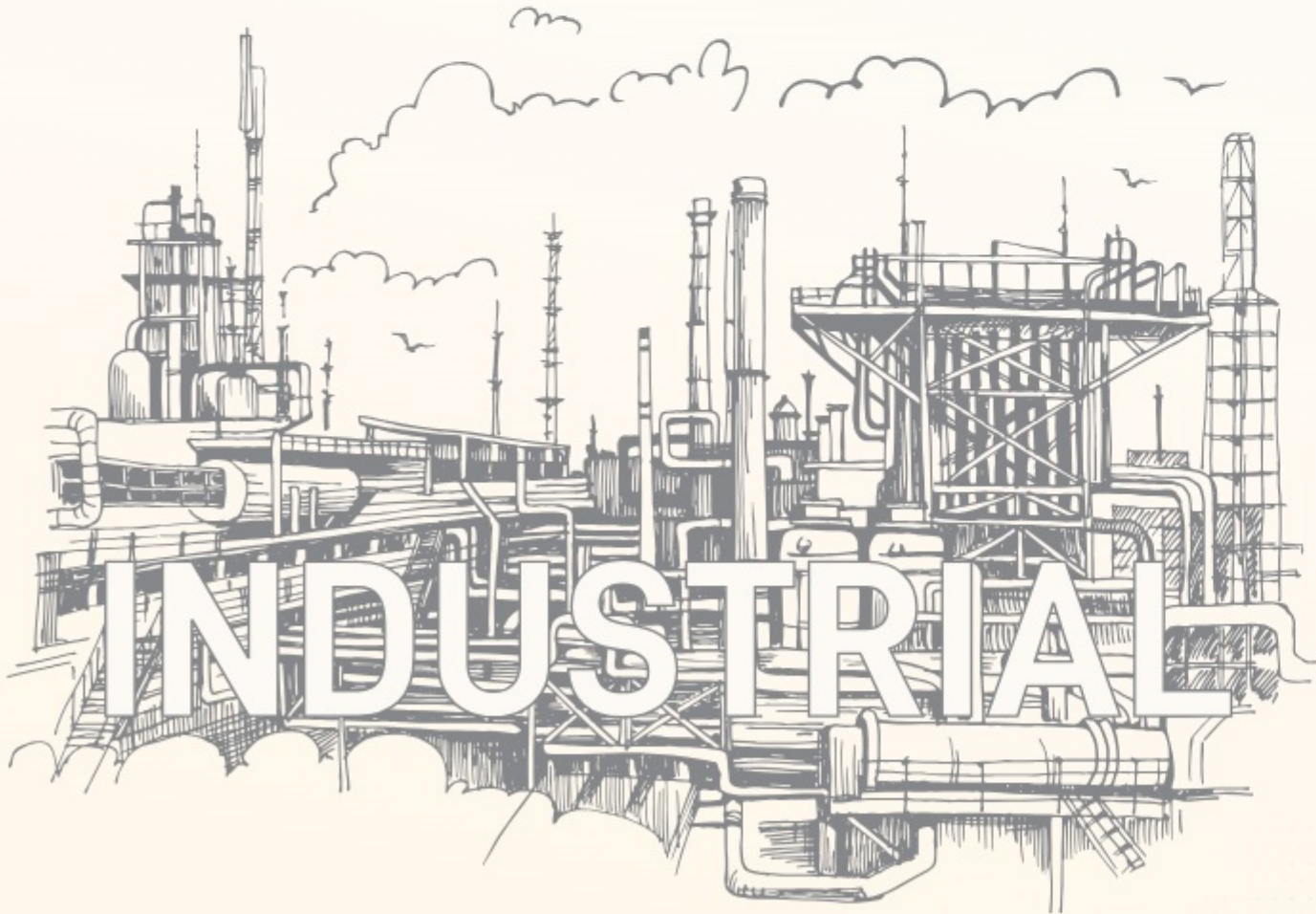
d. Historical Market Trends

Over the past decade, Vadodara has experienced steady growth in real estate prices, driven by industrial expansion, infrastructural developments, and a growing population.

Residential Market: The residential real estate market in Vadodara has seen consistent growth, with increasing demand for both affordable and premium housing. Areas such as New-Alkapuri, Gotri, Vemali, Vasna-Bhayli Road have emerged as prime residential locations.

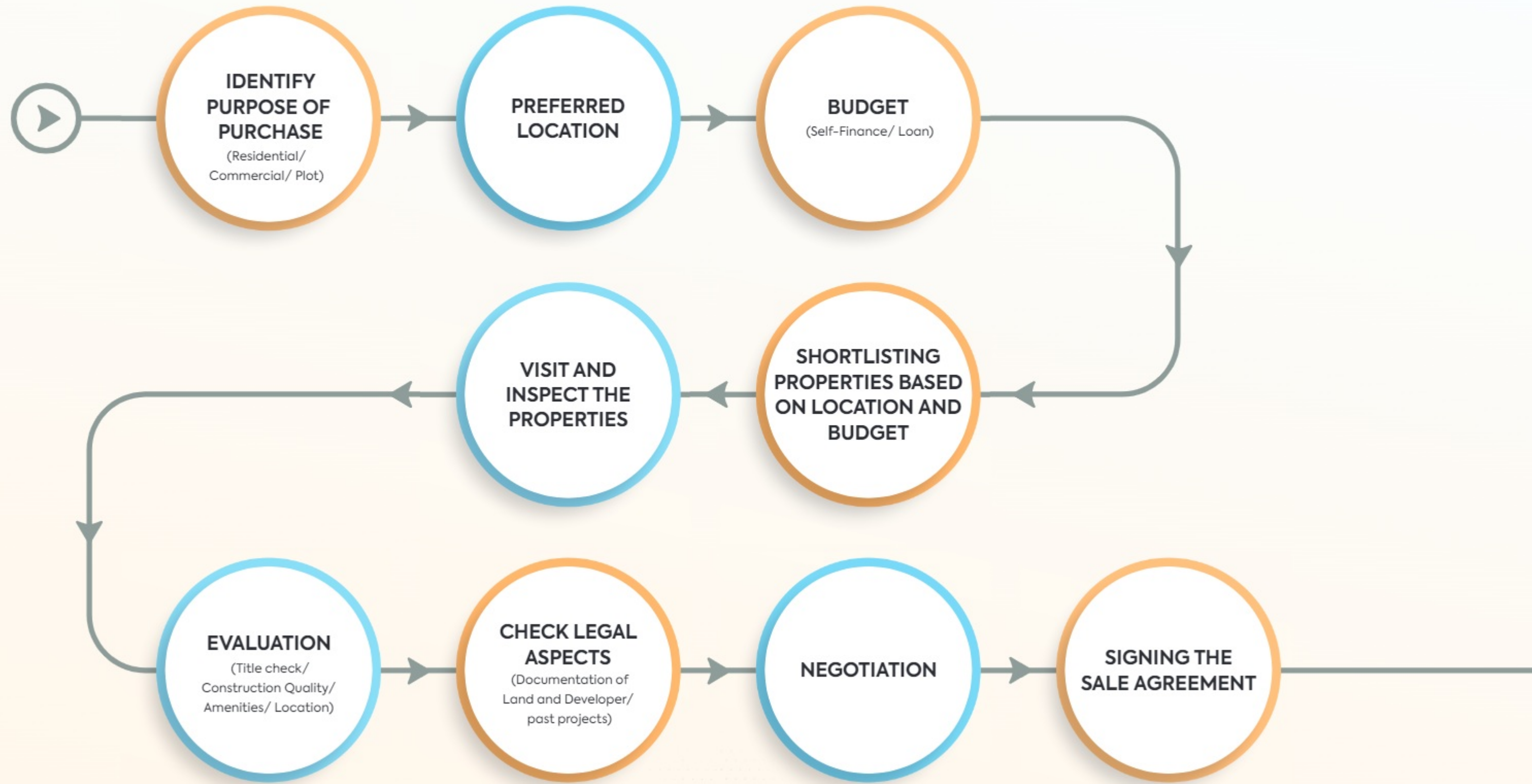
KEY INDUSTRIAL LOCATIONS

INDUSTRIAL ZONE



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BUYING PROCESS



FACTORS TO CONSIDER WHILST INVESTING

a. Budget and Financing

Evaluating your financial capability is crucial before investing in real estate. Here are key considerations:

Assessing Your Budget: Determine your budget by considering your savings, income, and financial goals. Ensure you have sufficient funds for the down payment and associated costs such as stamp duty, registration fees, and legal charges.

Mortgage Options: Explore mortgage options from various banks and financial institutions. Compare interest rates, loan tenure, and repayment terms to find the best option that suits your financial situation.

Associated Costs: Plan for additional direct costs such as maintenance charges, property tax, and insurance. Factor these costs into your budget to avoid any financial strain.

b. Location

The location of a property significantly impacts its value and growth potential. Consider the following factors:

Connectivity: Evaluate the property's connectivity to major roads, public transportation, and essential services such as schools, hospitals, and shopping centers. Good connectivity enhances the property's accessibility and convenience.

Neighbourhood: Assess the neighbourhood's safety, infrastructure, and amenities. A well-developed and secure neighbourhood with good infrastructure and amenities enhances the property's attractiveness and value.

Future Growth Prospects: Consider the area's potential for future growth and development. Upcoming infrastructure projects, commercial developments, and government initiatives can significantly boost property values.

c. Type of Property

Decide between residential, commercial, or industrial properties based on your investment goals and risk appetite as each type has its own set of considerations:

Residential Properties: Home and Apartments, apart from own-use, are suitable for long-term investments too as they offer stable returns through rental income and capital appreciation. Consider factors such as the property's location, size, amenities, and assess target tenant profile.

Commercial Properties: These properties are ideal for investors seeking higher rental yields and potential for capital appreciation. Commercial properties offer a broad range of investment ticket size - starting from few lac rupees to multiple crores. Evaluate the property's location, tenant profile, lease terms, and potential for future commercial developments in immediate surroundings.

d. Market Research

Conduct thorough research on market trends, property values, and demand-supply dynamics. Key steps include:

Market Trends: Analyse current market trends, including price movements, rental yields, and demand-supply dynamics. Understanding these trends helps you make informed investment decisions.

Comparable Properties: Compare similar properties in the area to gauge the property's value and potential for appreciation. Look at recent sales data, rental rates, and property features.

Future Prospects: Research upcoming infrastructure projects, commercial developments, and government initiatives that can impact property values. These factors can provide insights into the property's future growth potential.

e. Developers' Reputation

The reputation of the developer plays a crucial role in the quality and timely delivery of the project. Consider the following:

Track Record: Evaluate the developer's track record in delivering projects on time and maintaining quality standards. Check their past and ongoing projects to assess their reliability and credibility.

Financial Stability: Assess the developer's financial stability to ensure they have the resources to complete the project as planned. Financially stable developers are more likely to deliver quality projects on time.

Customer Reviews: Read reviews and feedback from previous buyers to gauge their experiences with the developer. Positive reviews indicate a trustworthy and reliable developer.

f. RERA Details of Project, Past & Current Record of Developer

The Real Estate Regulatory Authority (RERA) ensures transparency and accountability in real estate transactions. Key considerations include:

RERA Registration: Ensure the property is registered with RERA, providing legal protection and ensuring the developer adheres to regulatory standards. RERA registration enhances transparency and protects your investment.

Project Details: Check the project's RERA details, including the project's status, approvals, and completion timeline. This information helps you verify the project's legitimacy and progress.

Developer's Record: Review the developer's past and current RERA records to assess their compliance with regulatory standards. A clean RERA record indicates a reliable and compliant developer.

LEGAL CONSIDERATIONS & DOCUMENTATION

a. Title: Ensuring clear title is crucial to avoid legal disputes. Key steps include:

Title Verification: Conduct a thorough title verification to ensure the property's title is clear and free from any encumbrances. Engage a legal expert to verify the property's ownership and title documents.

Title Insurance: Consider purchasing title insurance to protect your investment against potential legal disputes related to the property's title.

b. Sale Agreement:

The sale agreement is a crucial document outlining the terms and conditions of the

property transaction. Key elements include:

Terms and Conditions: Ensure the sale agreement includes all terms and conditions agreed upon with the seller, including the purchase price, payment schedule, and possession date.

Legal Clauses: Verify that the agreement includes essential legal clauses, such as indemnity, dispute resolution, and termination clauses. These clauses protect your rights and interests in case of any disputes.

c. Encumbrance Certificate

The encumbrance certificate (EC) provides proof that the property is free from any legal or financial liabilities. Key steps include:

Obtaining the EC: Obtain the encumbrance certificate from the sub-registrar's office for the past 12-30 years. The EC verifies that the property has no outstanding loans, mortgages, or legal disputes.

Verifying the EC: Review the encumbrance certificate thoroughly to ensure there are no encumbrances on the property. Engage a legal expert to verify the EC and confirm the property's clear title.

d. Rajaa Chithi, NOC and OC

Key documents to ensure legal compliance include:

Rajaa Chithi: Obtain the Rajaa Chithi (land conversion certificate) if the property is converted from agricultural to non-agricultural use. The certificate ensures the property's legal status and compliance with zoning regulations.

NOC (No Objection Certificate): Ensure the property has the necessary NOCs from relevant authorities, such as the municipal corporation, water department, and electricity board. These NOCs verify that the property complies with legal and regulatory requirements.

OC (Occupancy Certificate): Obtain the occupancy certificate from the local municipal authority, certifying that the property is fit for occupancy. The OC ensures the property meets all building codes and safety standards.

e. Property Tax Receipt

Ensure all property taxes are paid up to date. Key steps include:

Obtaining the Receipt: Obtain the latest property tax receipt from the seller to verify that all property taxes are paid. The receipt ensures there are no outstanding tax liabilities on the property.

Verifying Tax Payment: Review the property tax receipt thoroughly to ensure the tax payments are up to date. Engage a legal expert to verify the receipt and confirm the property's clear tax status.

RESIDENTIAL PROPERTY INVESTMENT STRATEGIES

a. Long-term Appreciation

Investing in residential properties for long-term appreciation involves buying properties in areas with strong growth potential.

Key strategies include:

Location Selection: Choose properties in upcoming or developing areas with good infrastructure, connectivity, and amenities. These areas have higher potential for long-term appreciation.

Property Type: Invest in properties with features that appeal to a broad range of buyers, such as well-designed layouts, modern amenities, and good quality construction.

Market Timing: Buy properties during market downturns or when prices are relatively low to maximize potential appreciation. Monitor market trends and economic indicators to identify the best investment opportunities.

b. Pre-lease

Investing in pre-leased properties involves purchasing properties that already have tenants.

Key benefits and strategies include:

Stable Rental Income: Pre-leased properties provide a stable rental income from day one, reducing the risk of vacancy and ensuring regular cash flow.

Tenant Quality: Evaluate the tenant's credibility, lease terms, and rental yield to ensure a profitable investment. Prefer properties with long-term leases and reliable tenants.

Capital Appreciation: Pre-leased properties also have potential for capital appreciation, especially in prime locations with high demand for rental properties.

c. Weekend Holiday Homes

Investing in weekend holiday homes offers a blend of rental income and personal use.

Key strategies include:

Location: Choose properties in popular tourist destinations or scenic locations with good connectivity and amenities. These areas attract holidaymakers and ensure high rental demand.

Property Management: Engage a property management company to handle rentals, maintenance, and guest services. Professional management ensures a seamless rental experience and enhances the property's appeal.

Rental Income: Rent out the property during peak holiday seasons to maximize rental income. Promote the property through online platforms and travel agencies to attract tourists.

d. Buy & Renovate

Buying and renovating properties can significantly enhance their value and rental potential.

Key strategies include:

Property Selection: Choose properties in good locations with potential for value addition through renovation. Look for properties with structural integrity and scope for aesthetic improvements.

Renovation Plan: Develop a detailed renovation plan, focusing on improvements that enhance the property's appeal and functionality. Prioritize high-impact areas such as kitchens, bathrooms, and living spaces.

Cost Management: Manage renovation costs effectively by setting a budget and negotiating with contractors. Monitor the renovation process to ensure quality and timely completion.

e. Fractional Ownership

Fractional ownership involves sharing ownership of high-value properties with multiple investors.

Key benefits and strategies include:

Diversification: Fractional ownership allows you to diversify your investment portfolio by owning shares in multiple high-value properties. This reduces risk and enhances returns.

Cost Sharing: Share the costs of property purchase, maintenance, and management with other investors. This makes high-value properties more accessible and affordable.

Professional Management: Engage a professional property management company to handle operations, maintenance, and rentals. This ensures a hassle-free investment experience and maximizes returns.

COMMERCIAL AND INDUSTRIAL INVESTMENT STRATEGIES

a. Long-term Appreciation

Investing in commercial and industrial properties for long-term appreciation involves selecting properties in areas with strong growth potential.

Key strategies include:

Location Selection: Choose properties in established or emerging commercial and industrial zones with good infrastructure, connectivity, and demand. These areas have higher potential for long-term appreciation.

Property Type: Invest in properties with features that appeal to a broad range of businesses, such as well-designed office spaces, modern amenities, and good quality construction.

Market Timing: Buy properties during market downturns or when prices are relatively low to maximize potential appreciation. Monitor market trends and economic indicators to identify the best investment opportunities.

b. Pre-lease

Investing in pre-leased commercial and industrial properties involves purchasing properties that already have tenants. Key benefits and strategies include:

Stable Rental Income: Pre-leased properties provide a stable rental income from day one, reducing the risk of vacancy and ensuring regular cash flow.

Tenant Quality: Evaluate the tenant's credibility, lease terms, and rental yield to ensure a profitable investment. Prefer properties with long-term leases and reliable tenants.

Capital Appreciation: Pre-leased properties also have potential for capital appreciation, especially in prime locations with high demand for commercial and industrial spaces.

c. Short-term Trading

Short-term trading involves buying and selling properties within a short period to capitalize on market fluctuations.

Key strategies include:

Market Timing: Monitor market trends and economic indicators to identify short-term investment opportunities. Buy properties during market downturns and sell during upswings to maximize returns.

Property Selection: Choose properties with high liquidity and strong demand, such as prime office spaces, retail outlets, and industrial units. These properties are easier to sell quickly and at a profit.

Cost Management: Manage transaction costs effectively by negotiating favorable terms with brokers, lawyers, and contractors. Minimize holding costs by selling properties quickly.

d. Buy & Renovate

Buying and renovating commercial and industrial properties can significantly enhance their value and rental potential.

Key strategies include:

Property Selection: Choose properties in good locations with potential for value addition through renovation. Look for properties with structural integrity and scope for functional improvements.

Renovation Plan: Develop a detailed renovation plan, focusing on improvements that enhance the property's appeal and functionality. Prioritize high-impact areas such as office spaces, production facilities, and common areas.

Cost Management: Manage renovation costs effectively by setting a budget and negotiating with contractors. Monitor the renovation process to ensure quality and timely completion.

e. Joint Ventures

Joint ventures involve partnering with other investors or developers to share the costs and risks of commercial and industrial investments.

Key benefits and strategies include:

Risk Sharing: Share the financial risks and responsibilities with other investors or developers. This reduces individual risk and enhances investment security.

Resource Pooling: Pool resources, expertise, and networks to access high-value properties and investment opportunities. Joint ventures provide access to larger projects and diversified portfolios.

Professional Management: Engage professional property management companies to handle operations, maintenance, and leasing. This ensures a hassle-free investment experience and maximizes returns.

OTHER FINANCIAL AND TAXATION CONSIDERATION

a. Stamp duty and registration charges in Vadodara.

TYPE OF OWNER	STAMP DUTY	REGISTRATION FEE
Men	4.9 %	1 %
Women	4.9 %	0 (Exempted from registration charges)
Men & Women Joint	4.9 %	1 %

b. GST (Goods and Services Tax)

AFFORDABLE HOMES	1%
RESIDENTIAL	5%
COMMERCIAL	12%

c. Bank Fees & Interest Cost

Processing Fees:

Banks charge processing fees for home loan applications and it generally range from 0.25% to 1% of the loan amount. These fees are negotiable by applicants, and typically non-refundable and charged for processing the loan application.

Interest Rates:

Home loan interest rates in Gujarat, as in other parts of India, currently range from 8% to 12% per annum, depending on the bank, loan amount, tenure, and the borrower's credit profile. Interest rates can be either fixed or floating, with floating rates being subject to changes in market conditions.

Prepayment and Foreclosure Charges:

While some banks do not charge prepayment or foreclosure fees on floating-rate home loans, most levy such charges on fixed-rate loans. It's essential to check the specific terms with the lending bank.

d. Legal Cost

Legal costs are incurred for verifying property documents, ensuring clear title, drafting the sale agreement, and conducting due diligence. Legal fees can range from Rs. 3,000 to Rs. 15,000, depending on the complexity of the transaction and the reputation of the legal professional / firm.

e. Property Tax

Property tax in Gujarat is levied by the local municipal corporation or municipality and is an annual tax. The tax amount depends on various factors, including the property's location, size, usage (residential or commercial), and the prevailing rates set by the local authority. Property tax rates can vary significantly within the city so needs to be checked with the seller.

f. Maintenance Charges

Maintenance charges are periodic recurring payments made to the housing society or developer for the upkeep of common areas, amenities, and services such as security, landscaping, and general maintenance. These charges are usually calculated on a per square foot basis and can range from 2 to 10 per square foot per month. For luxury apartments or gated communities with extensive amenities, maintenance charges can be higher.

g. Taxation During Sale of Property

Short-Term Capital Gains (STCG):

If a property is sold within 24 months of purchase, the profit is considered a short-term capital gain. STCG is taxed as per the individual's applicable income tax slab rate. This can range from 5% to 30%, depending on the individual's total income.

Long-Term Capital Gains (LTCG):

If a property is held for more than 24 months, the profit qualifies as a long-term capital gain. LTCG is taxed at 20% with the benefit of indexation, which adjusts the purchase price for inflation, thereby reducing the taxable gain.

Tax Deductions:

Section 80C:

Under Section 80C of the Income Tax Act, a deduction of up to 1.5 lakh is available for the principal repayment on home loans. This deduction is part of the overall limit under Section 80C, which also includes other eligible investments such as PPF, ELSS, and NSC.

Section 24(b):

This section allows a deduction of up to 2 lakh on the interest paid on home loans for self-occupied properties. For properties that are let out, there is no upper limit on the interest deduction; however, the overall loss from house property that can be set off against other income is capped at 2 lakh per annum.

Section 54EC:

To save on long-term capital gains tax, an individual can invest the capital gains (up to 50 lakh) in specified bonds (such as those issued by NHAI and REC) within six months of the sale of the property. These bonds have a lock-in period of five years and provide a safe investment option while saving on tax.

CONCLUSION:

Investing in real estate in Vadodara offers diverse opportunities for residential, commercial, and industrial properties. By considering factors such as location, budget, property type, and market research, you can make informed investment decisions and maximize returns. Legal considerations, thorough documentation, and strategic investment approaches further enhance the success of your real estate investments.



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