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Why millennials don't like real estate

Compared to the earlier generation, millennials have more awareness about different financial assets

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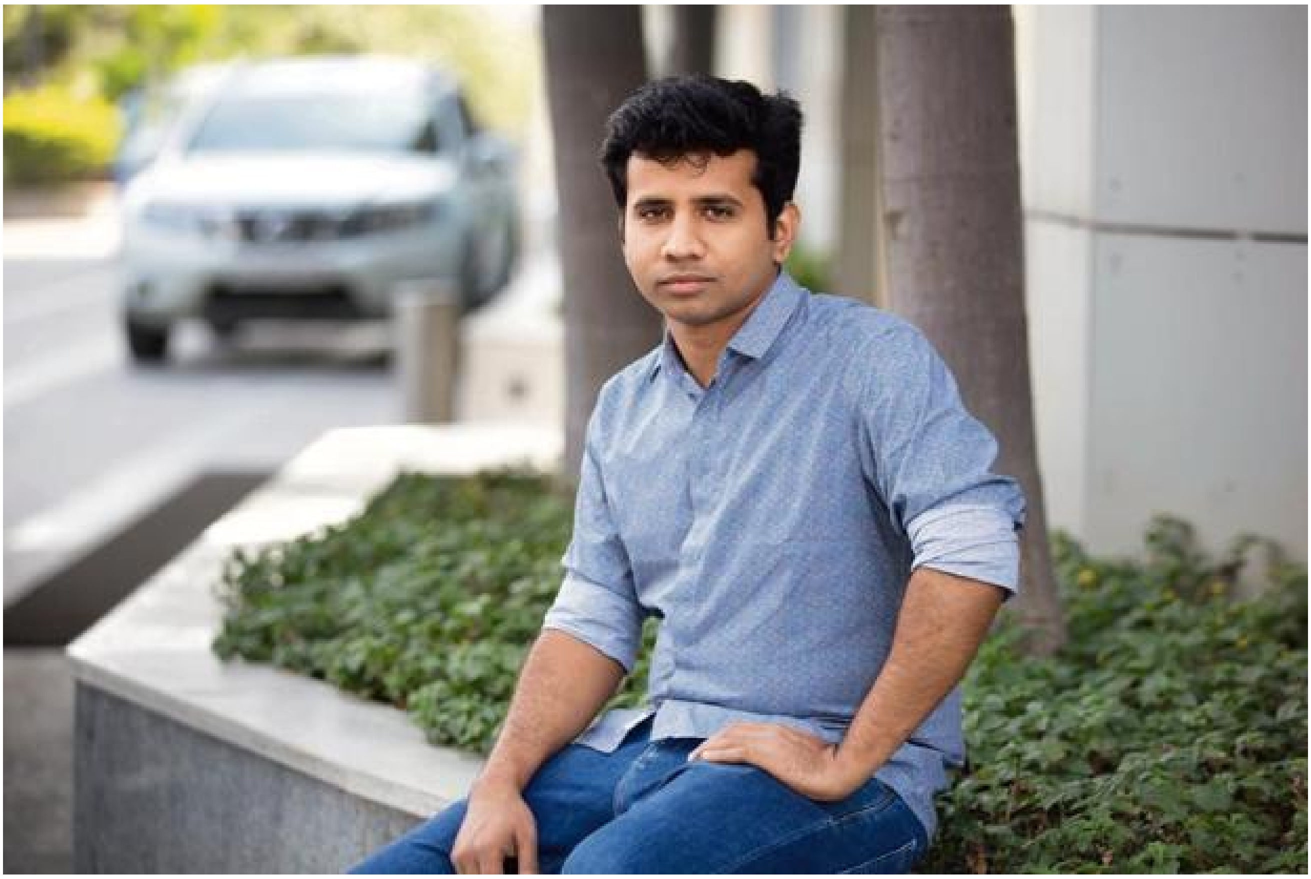

Varun Bhaskar, 27, doesn't want to buy a house yet because he is not sure if he will work in the same city for long. Photo: Mint

The young on-the-move millennials hate to be tied down by a house or home loan EMIs and would rather invest in financial assets like equity, thanks to the new

Uber-rent mindset and more awareness about services and opportunities in the market

5 reasons why young people prefer to invest in other assets

A*aj mere paas paisa hai, bangla hai, gaadi hai, naukar hai*, bank balance *hai, aur tumhare paas kya hai*? asks Amitabh Bachchan, addressing his onscreen brother Shashi Kapoor in the iconic film *Deewaar* released in 1975, and showing off his possessions, considered a barometer of success. More than four decades later, the society still evaluates the success of a person by the assets he possesses.

Among all the assets, a house is typically the leading parameter by which a person’s success is measured, especially in India. “Antilia”, the house where India’s richest person Mukesh Ambani lives is deemed to be the world’s most expensive residential property owned by an individual. If you type Ambani on Google, the first option that the search engine automatically suggests is “Ambani House”, which shows people are interested to know about it more than anything else associated with Ambani, who is the chairman of Reliance Industries Ltd.

However, the way young millennials look at real estate is different from how the earlier generation used to regard this asset. In fact, they seem to be shifting to financial assets.

So what is the mindset aiding this transition? Is it the Uber-rent mindset of not having to own anything but enjoying the same comforts? Here are five reasons why millennials don’t like real estate.

More awareness

Compared to the earlier generation, there is more awareness among millennials about different financial assets. “There is awareness towards financial assets and the shift from real estate to equity investments is happening,” said Lovaii Navlakhi, managing director and CEO, International Money Matters, a financial planning firm.

Some experts believe that the shift is happening based on the source of information and what motivates millennials to make an investment decision. “We find that the shift is happening but it is a very slow process and largely influenced by the person they are seeking advice from. For example, those who are being advised by a parent or individual from a different generation are still likely to continue to favour buying real estate early for both the security of having a ‘roof over the head’ and the tax breaks, whereas those who are taking decisions based on research are focused towards financial assets,” said Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors.

Millennials are also open to new ideas. They understand technology better, have more information and tools to compare different investment avenues.

“Millennial are smart and do their math. They are willing to try out new things due to the paradigm shift we see in lifestyle products like food delivery, ticket booking apps, etc. Since they are already trying new services and providers, it becomes that much easier for them to adapt to something new for investing,” said Vyakaranam.

Risk appetite

Millennials seem to have a higher risk appetite and seem willing to investment in equity or assets that are riskier than real estate. “They are more aware of market opportunities and are willing to take a risk to be different from their parents. They also consider getting into real estate a burden as it involves a lot of time, research and hence prefers investments which is easy to procure and transact for,” said Nitin B. Vyakaranam, founder and CEO, Artha Yantra.

Mutual funds are considered a risky asset but it’s an avenue which the earlier generation was not so confident about. Substantial and stable growth in assets under management by the mutual fund industry validates this fact. From an AUM of □7.5 trillion in August 2009, the industry has moved to over □24 trillion in September. Systematic investment plans (SIP) seem to be the preferred way of investment—about □7,500 crore flowed into SIPs in July 2018, according to data from the Association of Mutual Funds in India (Amfi).

Job opportunities

Another factor driving their decision is the kind of job opportunities they have. “The millennials are open to moving cities, countries, and even continents for job satisfaction and good opportunities. Hence, having assets while you are mobile is important for them,” said Navlakhi.

It’s difficult and time consuming to maintain immovable assets like real estate. “Buying a home is a long-term commitment. If a job requires an individual to travel or work in different cities then buying a home would not be a wise decision,” said Vyakaranam.

Bengaluru-based Varun Bhaskar, 27, a manager at e-commerce company Flipkart, has lived in five different cities in a short span of three years. “In my first job, I was transferred to four cities in two years, then I got a job in Bengaluru and since the last one year, I am working here, but don't know about my next assignment," said Bhaskar.

Like many other millennials, Bhaskar prefers investing in mutual funds and direct equity. Though he doesn't want to buy a house at present, he plans to buy one for his retirement in his home town, Thrissur, Kerala. "I don't like living in an apartment, that's why I would prefer to buy an independent house in my home town," said Bhaskar.

Lifestyle

Not only jobs, there is a vast difference between the lifestyles of millennials and the earlier generation; there are differences in their priorities and satisfaction levels as well.

"Flexibility we believe is the biggest driver for them i.e. not to be tied down to anything they don't enjoy. For example, they do not want home EMIs to take away their flexibility of taking sabbaticals or going for higher studies or changing their jobs for something that they believe adds more value to them or is in a different geography," said Dhawan.

Unaffordable price

Last, but not the least, even those millennials who aspire to buy a house of their own are deterred by high prices.

Also, over the last four to five years, real estate has given negative returns in most cases when adjusted with inflation.

That's being money-wise because even in the next four-five years, experts don't expect much appreciation in property prices in India.

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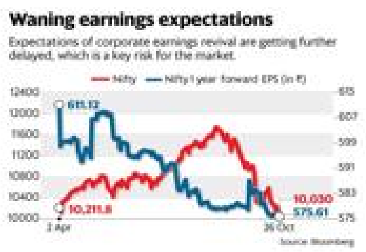

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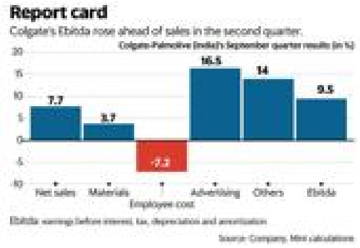

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