

Home call: To buy or rent?

REALTY CHECK A dream home may be on top of your to-do list, but you should factor in job transferability, loan and affordability before making a decision

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MUMBAI: When city-based financial planner Melvin Joseph, now 52, started working 25 years ago, he had made up his mind that he would not buy a property. "Immediately after my wedding, I got transferred from my home town in Kerala to a hill station while working for an insurance company. Since then, I have always stayed on rent as I knew I would be changing cities owing to my work profile," says Joseph. In the past 25 years, he has shifted multiple cities across Kerala and Tamil Nadu, before winding up in Mumbai. Not owning a property has actually given him the freedom to explore his career without any restrictions, says Joseph. "Had I purchased a house in Kerala 25 years ago, then my career would have been limited, as I would be thinking about my real estate investment and would have been locked into an EMI [equated monthly instalment]," he says.

Unlike Joseph, who was clear about his decision, majority of salaried individuals, at some point or the other, have to tackle this common dilemma—to buy a house or rent one. Once you keep your emotions aside, it gets easier to decide this. Here are some key questions you need to ask yourself to make an informed decision on property for self-occupancy:

PLAN TO LIVE IN THE CURRENT LOCATION FOREVER?

Today, most individuals tend to change cities for better opportunities. "Don't purchase a house in the early part of

your career if you are likely to move cities or if there is no job certainty," says Joseph. Real estate is an illiquid asset and you also can't predict the growth on it. **Plans to sell and buy properties at your convenience may not work. "With the need for flexibility being paramount in careers and the requirement to reskill at multiple stages, the flexibility of renting and not having EMIs can be very advantageous,"** says Vishal Dhawan, founder of Plan Ahead Wealth Advisors. **Verdict:** Don't buy a house if you don't plan to live in the city for long.

CAN YOU AFFORD IT?

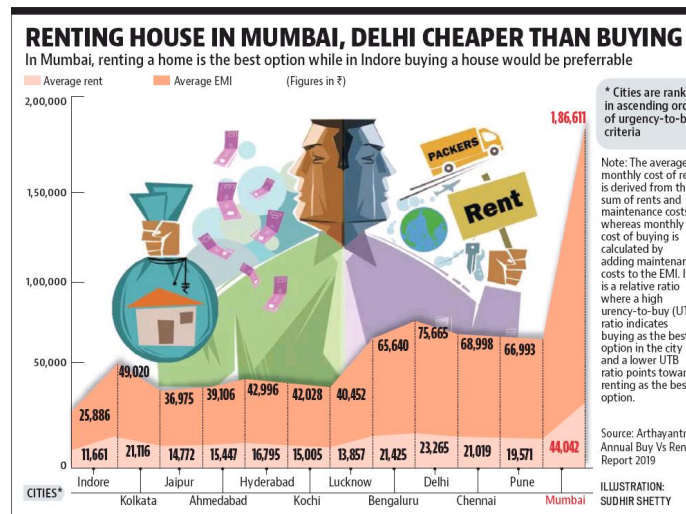
Real estate is an expensive asset. In case of salaried individuals, a house is likely to be the most expensive buy. Hence, you need to ask yourself if you can afford to buy a property. "A house requires a huge amount of capital and for most of us it entails taking a loan. Buying a house to live may make sense if you are going to be in the city for long, travel time to work place is less and have at least 25% of the amount available as down payment," says financial planner Deepali Sen.

Verdict: If the rent is 1-2% of the property value and EMI is likely to be 1.5 times above monthly rent, stay on rent.

SETTLE FOR A SMALL HOUSE?

To woo homebuyers amid high prices, developers reduce the size of the property to try and fit the house in your budget. But do you actually want to live in it?

Besides location and affordability, you also need to factor in the property size. Just because you can afford only 200 sqft for ₹1 crore in Mumbai, you



shouldn't lock yourself in. Similarly, just because you fancy a big house, you shouldn't go for it if you can't afford it.

Verdict: Don't buy a house which doesn't fit your requirement.

CAN YOU REPAY THE LOAN?

Remember that home loans are of longer duration and are large ticket-size loans. And you should have the long-term ability to service these loans. You have to make sure your home loan repayment is

cushioned against job loss, loss of income due to medical emergency, and any other unforeseen circumstances.

Verdict: Don't buy a house if you don't have the ability to repay your loan.

CAN YOU MEET OTHER GOALS?

Remember, buying a house is only one of the financial goals. You will also have other goals to fulfill, such as higher education, child's education, buying a car, travel plan and retirement. You have to

ensure you are able to meet these goals too. "You should think of buying a house without hurting your lifestyle and your other goals. Usually, a bigger home loan means the future cash flow gets used up for at least two decades. This leaves little room for other key goals," says Sen.

Verdict: Buy a house only if it doesn't hurt your lifestyle and other goals.