Perspective of people about investment in real estate sector

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ABSTRACT: An investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit. When it comes to investment we have variety of options available such as equity market, mutual funds, fixed deposit, gold, government bonds and reality sector etc. The reality sector provides an excellent opportunity for investment in land and buildings. The focus of this research paper is to find out perspective of people about investment in reality sector. This research paper is an attempt to find out various issues associated with real estate investment such as what factors considered by the people before buying a real estate property. Now a day, every commercial real estate deal starts with a promise of high returns. A few exceed projections, others fall short and some actually lose money.

Key Words: Real Estate, Investment, Perception, asset etc.

Introduction
Taking an action in the hopes of raising future revenue can be considered an investment. Investment is of prime importance to every individual as it helps to beat the inflation and eventually provides the way to generate and enhance income. Investment has been done by the human being from old times in different forms. In old times people used to have limited tools for investment, they used to buy any expensive thing like Gold, gems, land, animals, peace of art and other precious items. After some period (months/years) when they get increased value for those items (may be because of inflation or increased demand, scarcity of that item or when that item becomes rare) they used to sell it in order to book the profit.

In present time too we have many options for investment including traditional ways such as Mutual funds, Equity shares, real estate, gold/silver, fixed deposits, saving accounts, Post office schemes, government bonds etc. But real estate is one of the most popular tools of investment even today. Nagpur is famous for oranges and historic monuments like zero miles, Deekshabhoomi, Reserve Bank etc. Today Nagpur is going through unprecedented phase of development. Nagpur has become choice of real estate investment for many due to the central geographic location (as it is located in the heart of country), metro project, improvement in infrastructure, facilities provided by the government to the special economic zone and constantly developing suburb area. The native people also got an opportunity to invest in real estate sector and reap the benefit in future.

But every field of investment has some pros and cons, real estate too is not an exception. Unlike buying equity shares, bullion and bonds investment in real estate is a long term commitment. Most real estate managers build models with good intentions, believing that the assumptions can be achieved. Others build models to appease their investment audience in an effort to attract capital. So the challenge for investors is trying to figure out which deals will meet or exceed expectations, and which one will become a learning experience.

This paper is an attempt to find out different aspects involved in the investment of real estate sector through the perspective of native people.

Objectives
1. To study the perspective of people about investment in reality sector.
2. To determine the most preferred investment tool from the perspective of native people.
3. To determine the type of real state property people want to invest in.
4. To identify the time horizon with which they make their investment.
5. To determine the challenges faced by the people during investment in real estate sector.
6. To provide an insight into factors which should be considered for an investment in reality sector?

Limitations
1. The study conducted is mainly focus on real estate sector.
2. The sample size taken for the study is 49.
3. The sampling is restricted to Nagpur city only.
LITERATURE REVIEW

Many Organizations and individuals conducted several studies on the various fields of investments in the past. Those studies were mainly related to various tools of investment such as bullion, fixed deposit, Bank savings, government bonds, post office schemes, equity shares, mutual funds etc. However, no research was done on perspective of people about investment real estate sector in Nagpur. Development in Nagpur is taking place at rapid pace which provides excellent opportunity for real estate investment. Hence an attempt is made to know the perception of people about investment in the real estate sector.

RESEARCH DESIGN

It is an exploratory research. Exploratory research, as the name implies, intends merely to explore the research questions and does not intend to offer final and conclusive solutions to existing problems. This type of research is usually conducted to study a problem that has not been clearly defined yet. Primary data is collected through questionnaire and secondary data collected from published journal and websites.

SAMPLE

The study sample comprised of 49 people from salaried and self-employed people which are resident of Nagpur city situated in Maharashtra. Using stratified random sampling method, the questionnaire was given to 28 male and 21 male. All the respondents were working as employee in some organization or they are self-employed.

ANALYSIS & INTERPRETATION:

The tools used for analysing are as follows:

1. Percentage analysis
2. Ranking method

1. Percentage Analysis:

Comparison between series of data obtained from the respondents is made using percentage method. Since most of the data capture is of quantitative type, percentage

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\text{Percentage} = \frac{\text{Number of respondents}}{\text{Total number of respondents}} \times 100
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2. Ranking Method:

The ranking method was conducted to find out preference of investors regarding the various investment alternatives and to find their prime objective for making investment.

TOOLS

Questionnaires are an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest (Sekaran, 2007). The primary data collected for this research using online survey. A thoughtful questionnaire was prepared and sent on email. The questions incorporated into questionnaire were of quantitative nature as well as qualitative type.

A questionnaire was framed consisting of 21 thoughtfully selected closed end questions and open end questions covering the personal and demographic profile, the awareness related to methods, modes, reasons of saving and investment related data were collected. Most of the questions designed in order to acquire the perception of people about investment in real estate sector. The various questions and their answers are depicted through following charts which are based on data collected through questionnaire.
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What is your employment type?

- Salaried: 65%
- Self-employed: 35%

3

What is your gross annual income?

- Less than 2 lakh: 10%
- 2 to 5 lakh: 25%
- 5 to 10 lakh: 16%
- Above 10 lakh: 49%

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Are you aware of different types of investment options?

- Yes: 67%
- No: 23%
- Not Sure: 10%

5

Have you made any investment in real estate?

- Yes: 84.7%
- No: 65.3%
6. If yes then specify whether its residential or commercial property?

- Residential: 34.4%
- Commercial: 65.6%

7. How many times have you invested in real estate?

- Once: 6.3%
- 1-5 times: 21.9%
- 6 or more times: 71.9%

8. Have you suffered more loss than profit?

- Yes: 12.5%
- No: 68.8%
- Can't Say: 18.8%

9. Do you think investment in real estate is more productive than any other investment field?

- Yes: 51.0%
- No: 20.4%
- Not Sure: 28.6%
While making an investment, what is your general objective or goal?

- Self use
- Stability of capital
- Appreciation of capital
- To ensure growth in my income
- To be able to generate income

What type of investment you made before, other than real state?

- Others
- Post office Scheme
- Bonds
- Equity Shares
- Mutual Fund
- Fixed Deposit/ Bank Saving
- Gold/Silver

If you have options to invest in Real Estate which type of property do you prefer?

- Not Sure
- Industrial Land
- Retail (shops)
- Office Space
- Apartments
- Commercial Land
- Residential Land

What kind of time horizon do you generally choose for your investments?

- More than 5 Years
- Up to 5 Years
- Up to 1 Year
- Up to 6 Months
18. Is there any specific part of the city (area) that you prefer?

- Yes: 20.4%
- No: 79.6%

19. Do you think investment in real estate is risky task as several cases of fraud occurred in the past?

- Yes: 53.1%
- No: 36.7%
- Up to some extent: 10.2%

20. Do you think investment in real estate is risky as it may not give the expected returns and invested amount get blocked for longer period of time.

- Yes: 46.9%
- No: 30.6%
- Maybe: 22.4%

21. Do you think that you are willing to continue investing in this market?

- Yes: 12.2%
- No: 51.0%
- Maybe: 36.7%
FINDINGS

Even though many individuals are of opinion that real estate investment is more productive as compared to the other fields of investments. But most of the individuals already invested in other tools of investment the most popular of them are Mutual fund, Bank Saving and Bullion as these tools of investment takes fewer amounts when compared to the real estate investment. Also mutual funds have given attractive returns in the past.

The research revealed that men’s are ahead in investing when compared to women. Majority of the respondents 71.9% admitted that they have invested in real estate at least once. However only 21.9 % people invested 1-5 times in real estate sector and only 6.3% people admitted that they have invested in real estate more than 6 times. Small percentage (12.5%) of respondents told that they suffered more loss than profit in real estate investment. However 51% respondents said that real estate investment gives more return than any other field. Survey also revealed that majority of the respondents want to invest in residential and commercial land for better returns as compared to apartments, office spaces or industrial land. Most of the respondents who are willing to or already invested in real estate expects the good returns on their investment in the duration of 1-5 years and they expect more than 30% returns on their investment. While investing in real estate the most important factors which are taken into consideration by the investors are Location of the property, clear title of the property, Development in the nearby area. This research also revealed that more than 50% of the investor wanted to invest in real estate in the near future. However, many investors think that investment in real estate is risky because of fraud and investment amount get blocked for longer period of time.

CONCLUSIONS

The biggest challenge while investing in property is the time required to search the desired property, evaluation and negotiating the deal. While investing in the real estate investor must be ready to lock the amount for long period as the property may not give expected returns in short period of time. In addition to this, investor must check all the legal documents and clear title of the property as several cases of fraud taken place in the past. The property which has the good location, clear title and strong chances of developments in the nearby area gives good returns.

Unlike buying stocks and bonds investment in real estate is a long term commitment. If you’re going for traditional real estate investing then you need to make sure you find the property that is rentable because there could be a risk of not getting tenants. Make sure that you need to find a place where tourists and visitors will be there often.

The problem with relying on projections made by real estate companies to make investment decisions is that any deal can look great by tweaking one or two variables. So the challenge for investors is trying to figure out which deals will meet or exceed expectations, and which ones will become a learning experience.

If you are going to invest in real estate through broker or real estate agent/manager then it is imperative to investigate real estate manager’s historical track record, the quality of their team and their strategy.

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