



BUY LAND! THEY DONT MAKE IT ANYMORE !!! - reason & advantages

Mark Twain very famously remarked once – “**Buy land, they are not making it anymore.**” Personally, I feel, never has any real estate investments been better advised than above.

When I returned from the USA in 2004, and I huddled with my friend Ramesh Menon to identify the areas where we could invest our hard earned money. The brief was clearly to focus on **three factors**, on which to scale the investment strategy.

RISK	On a 5 year horizon, how much would each investment avenue Grow / Stagnate / or depreciate
TERM & TERMS	Entry level pricing to be benchmarked against the stay-in period of investment over a 3-5 year window
LIQUIDITY	How easy would it be to PROFITABLY EXIT, in parts or in whole?

Our detailed study & exercise led us to the conviction that LAND IS LESS VOLATILE compared to mutual funds, stocks, equities, Investment trusts etc. Haven't we all experienced and witnessed the massive erosion of wealth & valuation in the past few months, on most investment instruments mentioned above?

I am happy for my strategic decision to choose land over the other mediums, as the preferred investment three years ago. As for valuations, my investments have already appreciated over 300%, and still going strong.

It would be a good idea to share **the seven reasons** why we feel that investing in land is the best option within real estate compared to the much more “touted & publicised options” of built up spaces in buildings.

Reason # 01 Land is an **evergreen, ever-growing asset**. Brick & mortar assets like buildings (mall space / office blocks) deteriorate with time, whereas LAND DOES APPRECIATE, with time. Remember, some studies confirm that the value of any commercial building becomes 'Zero' in 27 years. Even when the building is useless & demolished, what is left behind is LAND.

Reason # 02 Land is an **asset from day one**. It has very little lead time to mature from purchase to progress. For e.g. If you are an early bird buyer for a residential or commercial property, it typically takes 3-5 years for your asset to be registered in your name, and to draw returns from them. One keeps investing money & time for 3-5 years, without returns. Land can be registered immediately, and can start delivering returns.

Reason # 03 Land is one asset which affords the **most flexible options**, within the real estate products. You can choose to buy any size & dimension, any value, anytime. Besides, land can be put to multiple use during the period of ownership. Let me elaborate. Agricultural land if invested into; can be used for farming. Post zoning, land use can be changed and commercially used.



Anything build on it can be redeveloped, for e.g. the same piece of land could end up being used as warehouse premise, commercial, residential, etc. etc.

- Reason # 04 Land affords **simple investment management**. Once bought, it doesn't incur high costs compared to built-up products. It is most likely that the land bought is self sufficient in deriving the maintenance cost, whereas, the other products attract a continually incremental maintenance.
- Reason # 05 if we analyze the **supply Vs demand** for real estate products in our country, land as a commodity would remain in demand for the next couple of decades. There is an acute demand for finished products, which would have to be constructed on LAND. Hence, **investments in LAND are bound to grow**, provided the buying strategy is right. For e.g: Delhi as a city state is forecasted to grow from 136 lakhs to 240 lakhs of population in the next decade. That necessitates almost another few thousands of hectares to be brought under development. Hence, invest in land today, rather than wait for appreciation at a much later date; at much lower returns.
- Reason # 06 With the economy projected to grow at a fast rate, and with disposable incomes being higher, **aspiration** of green living, bigger houses, better amenities, affordable luxuries etc. would take over. Those can be achieved on bigger land chunks being brought under development. Hence, invest in land today.
- Reason # 07 Land affords the **“right balance in your real estate portfolio”**. While investing in real estate, one needs to have a right product mix to hedge the risk, with one or two products which are **low on risk and high on returns**. That is what land promises to be.

Having said the above, we also advise our clients to exercise the right amount of caution and source expertise while buying land. Seek out experts rather than take the 'gut-feel-approach'. Analyze-understand-replicate success stories in land as a portfolio rather than try to re-write a success story. Remember, all leading developers in our country grew at this scorching pace on valuations, using land as the growth engine.

HAPPY LAND-ing!!!!!!!!!!!!

The author is the Founding Partner for a Gurgaon based Real estate consulting organization Certes Realty Ltd. and can be contacted on ajay@certesrealty.com