

Sounding Board

A home of our own? No, thanks

Many young couples today prefer to stay in rented accommodation. Here's why

RADHIKA MERWIN

A piece of earth you can call your own, a permanent roof over your head, a house you can transform into a home — this is what most of us hanker for. Buying a home is the next milestone for most 25-year-olds with a secure job. But there are many who are breaking this mould and treading a different path. They are giving tradition the go-by, preferring to stay in a rented accommodation rather than spending on buying a house. Why are they doing so?

Unaffordable property

Look at the sky-high cost of real estate, says Gautam Rekhi, an ex-merchant navy officer and a shipping professional. He finds the cost of apartments in Mumbai way too steep. "Right from Borivali to further up, one cannot imagine buying a two-bedroom apartment for less than ₹1.5 crore," he says. So, buying that dream house becomes a very expensive proposition. "I will need to make a down payment of, say, ₹40 lakh, for the home loan. And then pay EMI (equated monthly instalments) which works out to about ₹1 lakh a month for the next 10 or 15 years. That is a lot of money. How many people make that kind of money?" he wonders.

Job security is another issue. To make a commitment of that kind for a long period is not easy given the current situation, according to Gautam.

So, is renting a cheaper option? Absolutely, says Gautam, who has his math already done. "If I opt for rent, I get to live in the same apartment — that costs more than a crore to buy — by paying about ₹50,000 per month as rent.



BIJOY GHOSH

Gayathri Shankar
Recruitment Professional

"We first secured admission in a good school and then looked for a place to stay."

Plus, I get it fully furnished, with a garage, two parking spaces, all for a third of the amount I would spend on the EMI."

But many would argue that it's not the same. After all, you will be paying rent all your life and not own any property. Doesn't that bother him? Not really. He says that in case of an emergency, he cannot really sell the house. In fact, he feels that at least he will have more liquid cash to meet any contingencies. "Had I taken a

home loan, I would have been living hand to mouth."

Proximity to school

The unfavourable economics of owning a home is one of the main reasons why many in major cities such as Mumbai and Chennai are also opting for rented apartments. For Neil Misquitta and his wife Rumya who live in Chennai, the rent versus EMI equation left them with few choices. When they moved from Mumbai to Chennai a couple of years back, they straightaway opted for a rented accommodation because of the skyrocketing real estate prices in Chennai. "It was too expensive to buy an apartment in Chennai at the time — even at 2010 rates," recalls Rumya, an entrepreneur dealing in eth-

nic wear and a personal stylist.

But prices of real estate are not hitting the roof across Chennai. So why not choose an option that is affordable? Rumya argues that proximity to a good school is a key factor when deciding the area.



Gautam Rekhi
Shipping Professional

"In case of an emergency, I cannot sell the house."

"We decided on Abhiramapuram after selecting a school for my daughter and home prices in the area are among the highest in Chennai," she points out. Neil, who works in the hospitality industry, says that given the cost of living, education and travel, an EMI on an apartment in such an area would be a drain on finances. So, it made sense to rent an apartment — where they wanted and also the kind of home they preferred — for a lesser amount.

Rumya and Neil are not the only ones for whom proximity to a good school is important. Gayathri and Shankar, who also relocated to Chennai from Mumbai in 2012, sought a place close to the school of their choice. Shankar is a media and entertainment professional and Gayathri a recruitment professional with the flexibility of working from home.

"Our first condition for choosing a house in Chennai was that we stay close to our son's school. So we first got admission for him in a good school and then looked for a place to stay," she recalls. "Also, we wanted to stay in an area that was easily accessible from all parts of Chennai. It takes just 20 minutes for my husband to reach office."

Unlike many others who love the idea of setting up a house, Gayathri was happy with a rented place that came with all the fittings. "We chose a rented place also be-

Neil Misquitta
Marketing Professional

"When we buy a home, it will be in a destination like Goa."

cause of the convenience of not having to bother about carpentry, plumbing and electrical work. Taking care of shifting was one big hassle, added to that we did not want to take on the additional burden of doing up a new house. Living in our own place was the least of our priorities then."

Flexibility to relocate

Aside from cost and the desire to live in prime locations, flexibility to move is also one of the reasons why some prefer rented accommodations. "Given the current scenario where employees have to be mobile and go where the company deutes them, it made sense to rent," says Neil.

But you could sell the house and buy another when you move from one city to another? "If I decide to move, I will obviously look for a bigger house. So even if I sell my old house, I will fall short of money. I will have to go for a home loan again to fund the difference," says Gautam. And don't forget the 30 per cent capital gains tax on selling the house, if I don't buy another house, reminds Gautam.

What about later?

The golden era for real estate is gone. One used to hear of cases where people bought for ₹2 lakh and sold for ₹2 crore is over. Nowadays no investment can fetch more than 15 per cent returns, feels Gautam.

So, do these people plan to



stay in rented accommodations for the rest of their lives? Will they consider buying a home in the long run?

"Over the long term, yes, we will definitely look forward to staying in our own place but not with compromises," says Gayathri.

"Eventually yes, I will want to buy a house, but not at the expense of living like a pauper," adds Gautam.

For Rumya and Neil, when they buy a home, it will be to settle down after retirement. "We will look at buying a place in a destination like Goa where we can retire,"

So, how will they buy their dream house then?

Most of them have this figured out too. Liquidating other assets and investments should take care of that. It's

not 'save all, spend all' for these people. They have investments too.

And last of all, who doesn't want a good life? Everyone wants to go that extra mile to cherish the best years of their lives. You earn, you save and then splurge a bit too.

"I can provide my wife and son with all the good things and small luxuries too. We are planning a Europe trip soon — it's great to be able to afford that," says Shankar.

But don't good things come to people who wait?

"Today I can buy an Audi because I am not tied down with an EMI. What is the point of buying one when you are 55 years old? You won't have that kind of passion and thrill at that age. No one will even look at you," replies Gautam.