

The concept of 'Second Home' is growing, and the pace will quicken in coming years

The concept of second homes has always been around, though often restricted to the extremely affluent. It is this class that could afford to have a home away from home, for vacationing or for an occasional weekend relaxation. But lately, the concept appears to have gained widespread acceptance.

To understand why this concept has been gaining popularity, notwithstanding the hiccups the existing ones have faced, RN Bhaskar of DNA interacted with some of the best people in this business. They included (in alphabetical order) Brotin Banerjee, managing director and CEO, Tata Housing Development Co Ltd, Santosh Hasotkar, director, Dreamz Realty Solutions Pvt Ltd, Ashok Menon, director, Dreamz Real-

ty Solutions Pvt Ltd, Santosh Naik, managing director and CEO, Disha Direct, and Dilawar Nensey, joint managing director, Royal Palms India Pvt Ltd. Given below are excerpts from this conversation:

DNA CONVERSATIONS

DNA: Do you see the concept of second homes taking off now more than in the past?
Nensey: Yes. Today there are a lot of people with disposable incomes. This is not just the inherently rich, who have had it all the time and who would always have had holiday homes in a Mahabaleshwar or a Lonavala.

Today, the pace of life has become such that everyone craves and needs that relaxation in terms of getting out of your current life, which is a routine of going to office and going home.

Naik: We started around seven years ago. What's interesting is that the term 'Second Home' was coined by Disha Direct. People are looking for re-

laxation and our research around a year ago showed that within Mumbai and Thane there is a demand for around two lakh second home units and there is a supply of only 5,000 to 6,000 units a year. In the next 20-25 years the demand will be good but the land will not be there. It is a great industry to be in. A lot of developers are expected to enter this industry and people will thus get better and newer products at every level. It is a great industry to be in.

Second homes are a different market altogether. People who are taking a property as a second home will, within five to 20 years, take it on as a first home. In Talegaon, where we started five years ago as a second home situation, we sold around 2,000 homes as second homes. All of them are into first home situations right now. This will also happen to Shahapur and Boisar [on the outskirts of Mumbai] where we have projects.

DNA [to Nensey]: What happened to your project?
Nensey: For us, it was simple. Royal Palms, to give you a background, started operations in 1997. The golf course was a key feature, which added an anchor of entertainment to the location, along with the sports club, which had your regular squash, badminton and cricket academies and things like that.

It was very well received in the city as far as a facility and people wanting to be associated with it. A fallback was that there are no golfers in the city of Mumbai. The survey said there are only 800 active golfers in the city. So the utility of the golf course per se was not going to be a golf course but that it would add value to the real estate around it, be it the hospitality we are



(Left to right) Santosh Hasotkar, Brotin Banerjee, Santosh Naik, Ashok Menon and Dilawar Nensey – Swapnil Sakhare DNA

doing in terms of hotels and restaurants or the actual real estate be it flats, condominiums, villas and also commercial properties.

So it was tied in as an anchor. We coined ourselves as an urban resort, which is within the city limits. Travel time was limited back then, it is limited now as well. But somewhere in 2002-2003 we had to shift focus.

Around 2003-2004 when home loans became much more attractive and more easily available, infrastructure also improved along the western suburbs. A lot of flyovers came up, connectivity improved up to Bandra, and then we got bundled into a first home category.

But specifically on holiday homes, we have constructed and delivered close to about 900 studio apartments and condos, which have 340-350 square feet layouts, basically in the shape and form of a five star hotel room, with an attached pantry and bathroom and that's what we told our holiday home person. Don't talk to us about three bedrooms, large villas and all that. Look at this proposition first. Either use it yourself and we also had a rent back scheme that we had bundled in.

We had a lot of holiday-makers in the city, who used to come to Royal Palms for the weekend. So we said ok, here is a value proposition. You own the property, but we are also offering you a back-to-back rental guarantee. So it serves both your purposes. You could be a savvy investor as well.

DNA: Who services the apartments?
Nensey: We have an in-house manager that services the apartments in terms



ASHOK MENON
director, Dreamz Realty Solutions Pvt Ltd

"What drives people to buy a second home is the investment proposition. If you see today in terms of returns, whatever one invested five years back, and whatever we are supposed to get, is huge compared to any other instruments."



SANTOSH NAIK
managing director & CEO, Disha Direct

"Our research around showed that within Mumbai and Thane there is a demand for around two lakh second home and there is a supply of only 5,000 to 6,000 units a year. In the next 20-25 years the demand will be good."



BROTIN BANERJEE
managing director & CEO, Tata Housing Development

"People who aspire and can afford to own property both are growing. It's not only that our disposable income doesn't keep in with your aspirations. People's disposal income and propensity to spend is higher at the present moment."



DILAWAR NENSEY
joint managing director, Royal Palms India

"We offered the holiday-makers at Royal Palms a value proposition. You own the property, but we are also offering you a back-to-back rental guarantee. So it serves both your purposes. You could be a savvy investor as well."

of the operations as well as the rentals. So on the other hand, as a businessman, it becomes free inventory for me. Today, I have 700 to 800 rooms that I have sold to Mr 'X', he has paid me for it, plus I get a share of the rental income, when I rent it to him. So it's a profit sharing deal.

DNA: Brotin you too are in the Second Homes sector?
Banerjee: The Second Homes concept is growing in the segment of affordable luxury and also what is traditionally luxury for rich families, landed families, who have had Second Homes historically and whose second and third generations are looking at getting their own houses.

I will give you two examples from our portfolio products. One, which Santosh mentioned, is in Talegaon, which we launched late last year, which falls in the affordable luxury category. So Talegaon is about 20 kilometres from Pune and about 120-130 kilometres from Mumbai. We have that project, which we launched and it is based on a Mediterranean concept and is 1-3 bhk apartments. The row houses we haven't launched yet. They are priced between about Rs 18-20 lakh and going up wards.

DNA: How high is upwards?
Banerjee: The row house will be about Rs 80-85 lakh, when they launch. What is strange and amazing, what Santosh was saying, is that because of such a huge shortage of affordable luxury to people in Mumbai, 75% of this project called La Montana in Talegaon are

people from Mumbai. So only about 20-25% of the people are from Talegaon itself or from Pune, which has far more easy access. Especially when you are giving a Tata housing project, more security, lifestyle etc. That is one example of how affordable luxury is growing in India.

The other example is Prive. Prive is what is in Lonavala. We didn't advertise it in the press or in any media. We did this during the recession. It is an award-winning project launched in January 2010 when we were coming out of the recession. 73 apartments priced between Rs 2 crore upwards to about Rs 8-9 crore. We are only holding back six villas. We thought that when we went to the board for investments, the Tata Housing Board, we said we would take three years to sell it. I am not exaggerating but we sold it in a year's time. This is traditionally in a second home market, and we had absolutely top end consumers with no advertisements and largely through word of mouth. La Montana had a large amount of ads, used the radio, used mass media to propagate and communicate about it.

So what I am trying to say is that there is huge demand for this market. People who aspire and afford, both are growing. It's not only that our disposable income doesn't keep in with your aspirations. People's disposal income and propensity to spend is also higher. If you look at the cultural shift, one thing I'd like to add is that compared to our parents or a couple of generations back, today we are willing to spend far more, though there used to be a higher propensity to save in the past.

DNA: What are the policies you think the government or

Today, if you have the money, you should enjoy it today. Even if you look at the very wealthy, the generations now believe that that lets spend it today. Let's enjoy our lifestyle today. Let us celebrate today. It's a very big thing. You may say that some of them are living beyond their means. But it is a fact.

DNA: What about you, Ashok [Menon]?
Menon: Taking a cue from what they have said, what drives people to buy a second home or a property which is apart from the first home in which he resides. One is the investment proposition. If you see today in terms of returns, whatever we have invested say five years back, and whatever we are supposed to get today, is huge compared to any of the other instruments one can think of.

So that has driven people more towards going in for an investment in second homes. Apart from that, there are several categories of such people. One would just like to just invest in the landed property, be it a barren land or a plot, not deciding if he would construct something there. But only hoping that four to five years down the line the prices would go up and he would sell off the plot.

The second are those who are expecting something of a monthly return from those properties. Could be a form of rent back schemes. The third are those who just want to have a leisurely time. During the weekends or whenever they want to have their holidays.

So these are the categories of people who want to invest in these kind of second homes.

DNA: Do you have a body to lobby for these issues?
Banerjee: I think that one of the biggest drawbacks of real estate is that individually all of us are strong, but collectively all of us are weak. We lobby against each other. Unlike very powerful lobbies in telecom or in other industries, there is no unity here. Whether it is for Second Homes or first ones or real estate in general, we need far better unity and cohesion between people and people being of certain ethical standards and agreeing. Thus there is no lobbying and the government thinks real estate is a bad name. You guys (the media) have also promoted that thought. There are people who are doing a good job and they need to be highlighted and praised for the work they do.

Naik: Infrastructure.
Nensey: Yes, infrastructure. Get proper roads, get your rail network happening and you will unlock value not only for the developers but also whoever is buying into that story and investing accordingly.

Naik: Basically these are the future cities, according to me. So, the government should understand what problems we face. While infrastructure is one thing, very unknown destinations like Shahapur, etc are being promoted.

The development work we have begun there brings prosperity to that locality, for the people there. A lot of people gain employment. The government should not only look into infrastructure but policies as well. To convert agricultural land into NA [non-agricultural] is very cumbersome. It takes time. There are hundreds of permissions, NOC [no-objection-certificates], etc. The GR says, if you don't get NA within 3 months, it is presumed that it is NA land. But you can't rely on that. Permissions get delayed, sometimes for a year. Then, the money gets stuck, the project gets stuck. If the industry goes through a recession after a year's time, then you are gone.

[We feel that the] next big boom of Second Homes is going to happen on the Mumbai-Goa highway because the Mumbai-Pune highway is now choc-a-bloc and expensive. Talegaon is priced at Rs 3000 a square feet, Alibaug at Rs 4000-5000 a square feet and Nashik is going beyond anybody. For Mumbai-Goa we have submitted documentation last February [2010] but still haven't received the NA.

So I think there should be some simplified procedure for government approval and infrastructure.

Banerjee: A third thing I will add, that which removes the charm of a Lonavala is unplanned development. Focus on this. The charm of a Royal Palms is that is it master planned with correct zoning. Tomorrow, if you have one house here and one different looking one here and an office in front of it, then the charm of it goes. At the end of the day, the product will become un-saleable.

If you were to have certain regulations and guidelines for the development of these, what we would call, virgin places, what you should not do is to put in mindless concrete blocks and call it a Second Home and then sell it. You need to master plan it and the government and the municipalities need to be involved. Is there a school, where is the market? Will the hawk start throwing garbage everywhere? You need to zone it properly and plan the entire development. And the developer as well as the municipality or the taluka level authority needs to know about this. But unfortunately in India, what I'm saying is not even being done in the largest cities of India.

Nensey: Lonavala, Panchgani, Mahabaleshwar have been through this upheaval already. Lonavala and Panchgani are terrible to look at.

Banerjee: Look at Shimla. Today it looks unlike anything you would imagine. It used to be one of the best hill-stations. A 100 year old hill station. The capital of a state. Today, it is a disaster. I think a disaster will visit every small city where a Second Home is put if it is not planned.

DNA: So this should be the responsibility of the government?

Banerjee: This has to be the responsibility of the government and some good planning. There has to be zoning, certain guidelines, regularity in design. You cannot just do anything you want. I think that will probably increase the value of these units.

DNA: Do you have a body to lobby for these issues?

Banerjee: I think that one of the biggest drawbacks of real estate is that individually all of us are strong, but collectively all of us are weak. We lobby against each other. Unlike very powerful lobbies in telecom or in other industries, there is no unity here. Whether it is for Second Homes or first ones or real estate in general, we need far better unity and cohesion between people and people being of certain ethical standards and agreeing. Thus there is no lobbying and the government thinks real estate is a bad name. You guys (the media) have also promoted that thought. There are people who are doing a good job and they need to be highlighted and praised for the work they do.

Naik: Developers do not want to unite. A regulatory system is required. Telecom has a regulatory board. That is why there is an association. Insurance is regulated. Shares, stocks are regulated. There are associations for all of these.

Banerjee: What is the biggest ticket item in a consumer's life? Real estate. You are regulating a telephone but how much do you spend on a telephone? Rs 3000-4000 a month? Look at how much you spend on a house. The biggest asset class is completely unregulated. And this is largely because of the self-interest of both developers and politicians.

Nensey: If you have unity, you are less likely to be individually targeted.

Banerjee: Then you have an umbrella, an association. It is not me against him or him against him, it is togetherness. I feel it is very myopic of developers to oppose a regulation. Yes, a regulation for the sake of regulation is not very important. Regulation actually for the betterment or development or growth is important.

You also need to look at real estate as an industry. If you become an industry then you can get money from the banks to buy land. If a bank is giving you money, there will be far less transactions that are done in cash.

DNA: So what would you recommend for the improvement of this industry?
Naik: We need some more good developers like the Tatas, to come into this space. Then the overall market will grow.

Banerjee: Then there is [the problem of] sand. Today, we don't get sand for construction. What is a guy going to do? And who suffers at the end of the day? The end-consumer.

People say that a developer's greed knows no bounds. But sand cost has gone up by five or six times. It's a double whammy. Not only are you not getting sand, the entire construction is coming to a halt.

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Name of Work	Tender Value	Earnest Money	Cost of Tender Document	Completion Period	Definition of Similar work
TENDER NOTICE No. W/A/T/11/2011-12 Date of Opening: 25.04.2011					
Replacement of damaged booms in L.C. No. BK 82, 83, 86, 88, 90, 97 & 103 under the jurisdiction of Sr. ADEN/Umaria.	29,94,209/-	59,890/-	3,000/-	06 Months	NIL
TENDER NOTICE No. W/A/T/12/2011-12					
Augmentation of water supply by provision of intake well at Hasdeo river at Korba.	37,49,823/-	75,000/-	3,000/-	06 Months	NIL
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Jacketing and widening of abutments and piers in bridges of Sr.DEN/East Section	41,73,021/-	83,470/-	3,000/-	06 Months	NIL
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Provision of FOB at Jamga under the jurisdiction of ADEN/Raigarh.	43,71,426/-	87,430/-	3,000/-	06 Months	NIL
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1. Tender document available at: (1) Office of Sr. DEN(co-ord), S.E.C. Rly, Bilaspur, (2) Document down loading of Rly, website of www.secr.indianrailways.gov.in.

2. Tender document available from : 10.00 hrs. of 08.04.2011 upto 18.00 hrs on 21.04.2011.

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4. Tender Box will be closed at : 11.00 hrs. on 25.04.2011.

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