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“THE STUDY OF LEASE AND RESALE ASSISTANCE FOR EXISTING CUSTOMERS OF ABC DEVELOPMENTS PVT LTD.”

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ABSTRACT:

It's a very important thing to know about using data to calculate rental yield and in the process, find the best location ie areas for buy-to-rent. The different sites which offer price and rent data collect and process it in different ways. So, yield figures calculated from different sites are frequently not the same. Also, the data they provide may not necessarily be in real time. It may be a month (or more) old and so prices and rents and subsequent yields may have changed in the meantime. Calculate figure for the likely rental yield that I achieve and make an informed judgement as to whether that particular opportunity is right.



KEYWORDS: lease, resale, yields.

INTRODUCTION :

Pune's real estate market continues to be in a state of stress. Developers have cut back substantially on new project launches from 102,036 apartments being brought into the market from July '15 - June '16, this is now down to 56,410 apartments for the period July '17 - June '18. The implementation of RERA has resulted in capital being forced to flow towards project execution rather than the earlier practice of transferring funds from existing projects to future projects. This has in turn

contributed to the slowdown in the number of project launches. Developers can no longer launch projects without obtaining approvals, which comes with its own set of costs.

To best reach customers, developers have begun to employ integrated, multichannel go-to-market (GTM) strategies that include multiple channel pipelines. These channels could include direct sales, customer referrals, international initiatives, collaboration with channel partners, corporate sales and more. Indeed, major developers are already focusing on building this multichannel sales strategy

and creating “excellence niches”

OBJECTIVE STUDY

- 1) Provide existing Customers with an enhanced experience and a value added service by assisting them with leasing their properties.
- 2) Attracting a larger demographic of outstation investors from Kolhapur, Surat, Indore etc by instilling confidence in them of being able to lease their units even when they are not present in Pune.
- 3) Generate a new revenue stream by virtue of charging brokerage fees to customers for services rendered and successful

closure of outside enquiries.

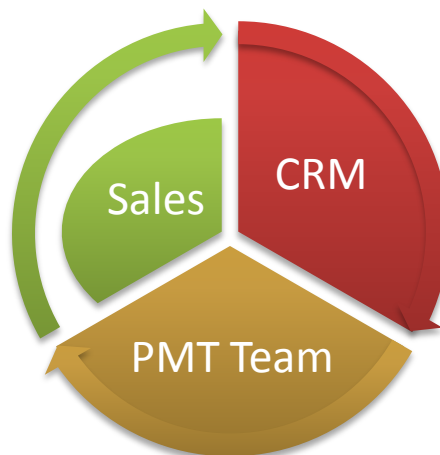
4) ABC Developments wanted to understand the prevailing rental yields in Pune to get a sense of the incremental yield Song of Joy is commanding vis-à-vis the average.

DEVELOPMENT GUSH

For every unit sold, we will need to know if the customer plans to lease or resell his unit. We will enable this by adding an additional data point in the application form which will ask the customer if the purchase is for end use or if it will be available for lease or resale post possession. At the time of initial sale, the process will start and the information will be collected by the sales team, this will be passed onto CRM once customer file moves from Sales to CRM.

Based on discussion with sales, at time of purchase, people are not very sure about their plans to move-in. It is only at the time of possession that they are sure about what their plans for the unit. Information owner for this critical information – End use vs. Available for lease/ resale – will need to be CRM. This CRM to introduce 3 months prior to possession. Send email to each customer with an attractive template offering this service. We can do an email blast once every 2months/ once a quarter. Authenticity of data to be done by CRM at time of possession intention to lease/ resale as well as contact information confirmation. The possession checklist will also include an additional point - End use vs. Available for lease/resale. This will allow us to re-validate customer sentiment.

Following information to be made available, Owner details, Unit details, SPOC on behalf of owner if owner not in same city/ frequently travels, Agreement to GDPL terms and conditions.



There will be continuous flow of information between the aforementioned 3 departments.

Once every sale is made, initial information is collected by sales, then customer file is moved to CRM. At time of possession, CRM corroborates information and passes it onto the PMT.(This should be initiated prior to possession so properties can be leased soon resulting minimum down time). CRM will need to periodically update the PMT team if there is change in status of any customer at any time.

The PMT will be privy to critical data – details of tenants/ customer, pulse of existing customer either looking to purchase their 2nd home or look for additional investment etc which will be passed onto the sales team. Also, in cases of resale we could introduce a feedback/ questionnaire – ‘Your home buying experience with Gera’ where we will understand the reason for the customer exiting the property.

Pilot Project

Song of Joy (A1 & A2) and Gera’s Trinity Tower

Current Scenario

Particulars	SOJ A1,A2	GGTT
Total Units	120	248
Units Sold	120	248
Total Occupied Units	103	222
Tenant Occupied	42	104
Owner Occupied	61	118
Current Empty Units	17	26

For the leasing services, we start the 43 unit owners (17 + 26) of the empty units. We anticipate that ~10 - 11 of these (25% of total empty units) will be available for lease.

For the resale services, we target all our customers and anticipate 5 units available for resale (<2% of total units) across both projects.

Thought process for choosing SOJ and TT -

Both are ready projects

Since projects are next to each other, we will have a larger pool of inventory to offer to a prospective tenant

In house team already has a strong broker partnership in Kharadi, we will be able to leverage these relationships from the word go.

Extend the same service to customers of A3 and B1 as the building nears possession date. By that time, we will already have a steady database on enquiries.

METHODOLOGY

Two areas in West (Hinjewadi & Wakad/Neighborhood) and two areas in the East (Kharadi & Wagholi) were selected to survey rental yields

The sample size was 50 units equally spread across both the geographies.

The projects were selected keeping in mind proximity to IT parks and a large number of working population

The primary mode of data collection was through brokers and physical visits to the property

A total of 42 unique projects were surveyed

PROJECT MANGEMENT TEAM - KRA

Maintain GDPL Projects owner’s database including resale customers and expand broker network.

Connect Current Owner & Tenant/ Future owner

Provide Basic market information to current unit owner & prospective tenant/ future owner – Average rental prices, prevailing capital values, historical appreciation in relevant micro markets & brief overview of social infrastructure for the relevant micro market

Coordinate site visits on behalf of the landlord

LOI and Agreement execution

Registration coordination

Form standard commercial terms, for eg - Typical agreement will be for 11 months. GDPL will charge the owner 1 month rent as fee. In case of renewal, fee will be 15 days rent. This will be covered at the time of the initial documentation.

Use of App:

Modernize ABC Advantage App – Additional feature to allow any owner to communicate with CRM their intention to resell/ lease his unit at any point during his ownership. Resale customers – Work with CRM and with existing customers to keep track of resale customers. Increase database, potential

new customers to GDPL. Departments involved – Sales, CRM & Corporate team (formation of separate PMT).

Update website to invite leasing enquiries for sold out projects. Sales team to be eventually told of the PMT and correct way to pitch to new customers.

Update application form and possession checklist to include an option – End use vs Available for lease/Resale. (or included at the application stage)

PMT to work with the commercial sales team to be able to pitch to larger tenants for lease on behalf of commercial customers.

NRI Desk exclusively for customers based out of India. Addition of certain value added features, like housekeeping services and payment of all bills, at a cost.

We need to decide the extend of our involvement in the negotiation between the owner and the tenant.

Once we have volume, we will offer housekeeping service at an additional cost to all our customers.

Action Plan

Strategy

We begin with SOJ A1, A2 and TT

We will start with first creating awareness amongst brokers by sending an email blast to all our broker contacts active in East Pune. Mail to be sent to brokers is attached.

We collate all inquiries as a result of the email blast and start preparing our database. This **database** will contain enquiries for prospects who either want to lease/ buy in SOJ and TT.

Once we have 20-30 enquiries, we send an email through CRM to all our customers at SOJ and **TT** informing them to reach us in case they want to lease/resell their apartment

A standee and poster each in every lobby of the building and in our sales office.

What we offer to our customers

Coordination with the developer, if required

Documentation help - LOI/ leave and license agreement

Assist with the registration

How we charge

We charge existing customers - 1 month incase of lease, 1% in case of resale - only on successful closure

If a enquiry comes through a broker, we charge only the customer we represent

In case of a direct enquiry, we charge both - our customer as well as the incoming prospect

CONCLUSION -KEY HIGHLIGHTS

Yield is a simple figure o calculate

the purchase price of buy-to-rent property. Take (or estimate) the likely monthly rent and multiply it by 12 to find an annual rental figure. Divide the annual rent by the purchase price and multiply it by 100 to find the **annual percentage yield**. You can then compare buy-to-let opportunities, in any part of London, on a like-for-like basis. Collecting information on **values, rents and yields** may seem complicated

Average Rental yield for SOJ is 3.5%

Overall Market Rental yield (Ex ABC) is 2.71%, across all 50 units sampled

West Pune yields are slightly higher at 2.75% while East Pune are slightly lower at 2.68

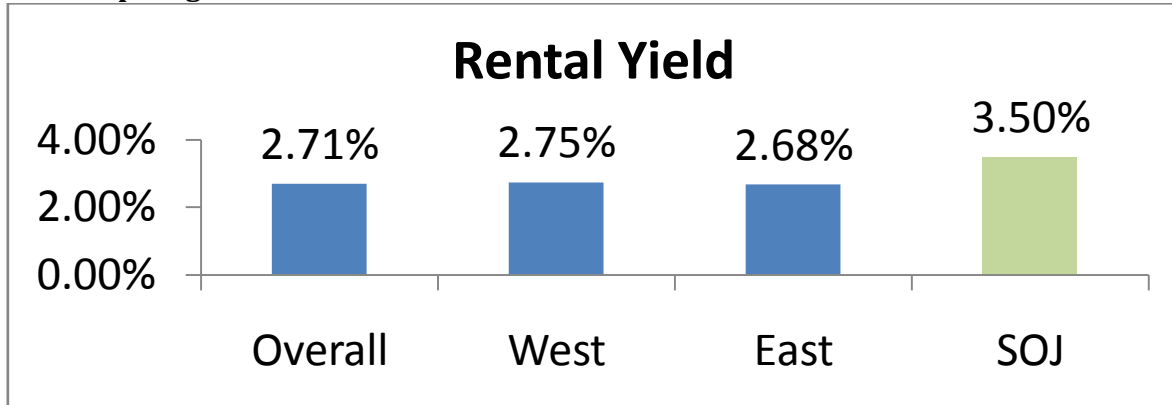
Rental Yield is inversely correlated to the Cost of the Property in West Pune while there seems to be no discernible pattern in East Pune

Bedroom type doesn't seem to be correlated to rental yields

IT intensive areas like Hinjewadi and Kharadi have materially higher rental yields compared to market.

Overall Rental Yields by Area

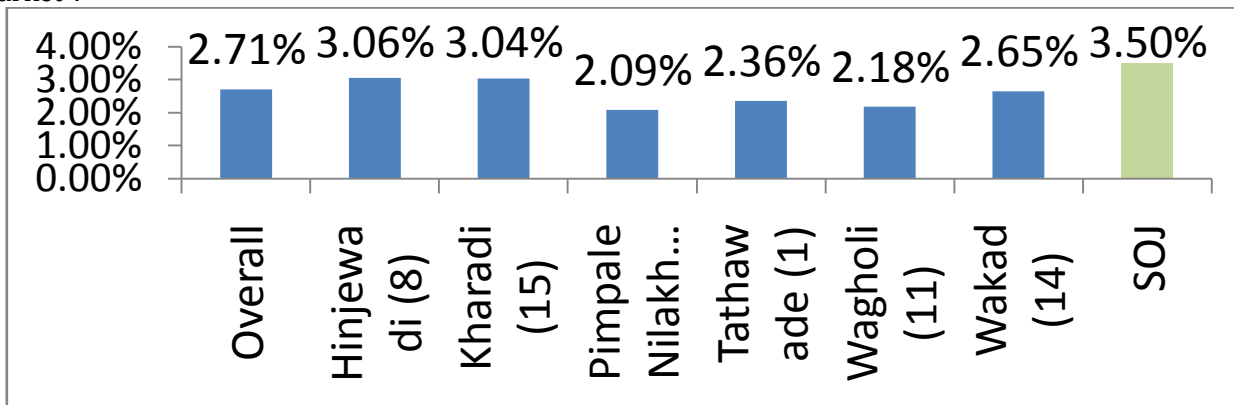
Yield is a simple figure to calculate



Rental Yield = Annual rent for unfurnished home/Total package cost (incl. taxes)

Overall Rental Yields by Location

Base = 50 "IT intensive areas like Hinjewadi and Kharadi have higher rental yields compared to market".



Rental Yield = Annual rent for unfurnished home/Total package cost (incl taxes)

CONCLUSION

There's no way to accurately predict growth for any given location or timeframe, you can look at fundamentals like previous and recent property sold prices, marketing prices, speed of sales, which we cover in locations like Birmingham, Stoke and Liverpool is coming soon in buy to let hotspot series If the location works for you and the yield achieves your own personal targets then it could be right for you

The yield is 4.9% Net which is lower than we aim for , but as mentioned if it achieves your aims and the location, property type and tenant type is a fit for you in most areas rental demand is huge, so it hold never be short of tenants. some property also has a good track record of growing in value year after year, which cheaper areas. Rents tend to be highest the closer move to the centre , but so are the prices. This means that yields are usually tighter. Prices are lower to move further out, but rents are not always proportionately lower. As a result, yields can be much better.

* **Transport links can have a big impact on prices and rents.** places that have easy access to a tube or rail station usually have higher prices and rents even if they are further out than cheaper areas.

Now back to how to use a data-driven approach to finding the best locations. The most important figure you need to calculate when finding a **good, buy-to-rent opportunity** is **yield**.

Buying the first home is a very emotional and significant milestone in any person’s life. Most people make this purchase only once in their lifetime, and generations enjoy the benefits

SUGGESTION:

Buying a home and are at the cusp of making your life’s most significant investment, must exercise caution to make the correct choice. A correct choice is one that is well aligned to needs, falls within a budget can afford and enables family to enjoy a good living experience. Make sure that considerations at each step are well rounded.

Company will not provide Housing Choice Vouchers to those who have been evicted due to bad behaviour activities within the last year.

It is also to provide the owner with the information like a) The type of screening they have conducted on the tenant. b) The tenant's current and previous addresses. c) The name and addresses of the tenant's current and previous landlords.

AREA OF RESEARCH :

WEST PUNE	Hinjewadi	Megapolis Sangria
		Megapolis Splendour
		Blue Ridge
		Ashok Meadows
		Life Republic
		Eon Homes
	Pimpale Nilakh	24K Glitterati
	Tathawade	Elementa
	Wakad	Harmony
		Lorelle
		Park Turquoise
		Park Titanium
		Kalptaru Splendour
		Malpani Greens
		Kasturi Apostrophe
Rohan Tarang		
Windwards		
The Address		
Omega Paradise		
EAST PUNE	Wagholi	IVY Apartment
		Solacia Phase I
		Suyog Nisarg
		Umang Primo
		Konark Meadows
		Fria
		Citron
		Nyati Elan
		Rohan Abhilasha
		Cilantro
	Kharadi	Cerise
		Tuscan Estate
		Langston

		Forest County
		Ganga Arcadia
		Everglade
		Gulmohar Orchids
		Kumar Primrose
		Alcon Renaissance
		Citrine
		Gulmohar Queenstown
		Enigma



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