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Rent vs Buy + SIP: The Real Math (the numbers the brochure won't show you)

Keyword: RENT · For: Priced-out 22-40 buyers in India deciding whether to keep renting and invest the difference, or buy now

> ***The honest, line-by-line math on buying vs renting-and-investing in India — including the costs no brochure prints — so you decide with numbers, not FOMO.***

Start here: the question is not "rent vs buy" — it's "buy vs rent + invest the rest"

Almost every "renting is throwing money away" pitch quietly forgets one thing: if you rent, you're NOT spending the full cost of owning. The down payment, the EMI gap, the stamp duty — that money doesn't vanish. A renter can invest it.

So the real contest is: • Option A: Buy the home now (EMI + all ownership costs). • Option B: Keep renting, and invest every rupee you would've spent buying.

The winner is whichever leaves you richer in, say, 7-10 years. This guide gives you the full cost list, a worked example, and 4 simple break-even rules so you can run YOUR numbers in 5 minutes.

(Not legal, tax, or investment advice — figures are illustrative; consult a SEBI-registered advisor / CA for your situation.)

The costs the brochure hides (the real price is ~30-40% above the sticker)

The price on the hoarding is never what you pay. Here's the full bill on a ■1 crore home:

Hidden cost	Typical amount	On a ■1 cr home
Down payment (banks fund ~75-90% of value)	10-25% upfront	■10-25 L
Stamp duty + registration	~5-7% of value (state-dependent)	■5-7 L
GST (under-construction ONLY; ready/resale = 0%)	5% non-affordable / 1% affordable	■5 L if under-construction
Brokerage	~1-2%	■1-2 L

Interiors / fit-out	varies hugely	■5-15 L
Maintenance + property tax (yearly)	ongoing	■50k-1.5 L / yr

Stamp duty alone is 5-7% in most states (e.g. Maharashtra ~5-6%, with concessions in some cities) [Source: state stamp-duty schedules, e.g. Maharashtra IGR]. GST on under-construction is 5% (1% for affordable housing) and ZERO on ready-to-move / resale [Source: CBIC GST rates on real estate, Notification 03/2019-CTR].

Checklist before you sign: [ ] Asked for the all-in cost (price + stamp + reg + GST + brokerage + parking + clubhouse + GST on those)? [ ] Confirmed ready-to-move vs under-construction (GST + delay risk differ)? [ ] Budgeted yearly maintenance + property tax, not just the EMI? [ ] Verified the title and approvals independently (not just the brochure)?

The EMI truth: at ~8.5%, you pay back roughly DOUBLE the loan over 20 years

Borrow ■75 L for 20 years at 8.5%, and the EMI is ~■65,000/month. Over 240 months that's ~■1.56 crore paid — about ■81 L of it is pure interest. You repay roughly twice what you borrowed [Source: standard EMI formula; RBI weighted-average lending rate on housing loans ~8.3-8.5% range, 2024].

That interest is the renter's secret weapon. If owning costs you (EMI + maintenance) more than rent, the renter invests the gap.

The two engines, head to head: • Home loan interest: ~8.5% — this is what owning costs you. • Residential rental yield: only ~2.5-4% of property value per year [Source: widely cited Indian residential rental-yield range; e.g. Anarock / Magicbricks city data]. Low yield means rent is cheap relative to price. • Nifty long-run return: ~12% CAGR over the long term [Source: NSE Nifty 50 TRI long-run historical CAGR].

So: you borrow at 8.5% to own an asset that India's homes have historically appreciated at ~6-7% a year [Source: RBI House Price Index / NHB Residex long-run trend], while an index SIP has historically compounded near 12%. The gap is the whole argument.

Worked example: ■1 cr home vs rent-and-invest (7 years)

Assumptions: ■1 cr home, 20% down (■20 L), ■80 L loan @ 8.5%, EMI ~■69,400/mo. Comparable rent ■30,000/mo (a 2.5% gross yield — bang in the typical range). Renter invests the difference into a 12% index SIP. Illustrative, rounded.

	Buy	Rent + invest
Upfront	■20 L down + ~■12 L (stamp/reg/brokerage/interiors) = ■32 L	Invests ■32 L lump sum
Monthly	EMI ■69.4k + ~■6k maint/tax = ■75k	Rent ■30k; invests the ■45k gap

After 7 yrs	Home worth ~■1.5 cr @ 6.5% appreciation; loan still ~■70 L owed → net equity ~■80 L	■32 L lump @12% → ~■71 L; plus ■45k/mo SIP @12% for 7 yrs → ~■60 L. Total ~■1.31 cr

In this case the renter-investor is ahead — because rent (2.5% yield) is cheap, the loan rate (8.5%) is high, and the SIP (12%) outpaces home appreciation (6.5%). Flip rent higher, the loan rate lower, or appreciation up, and buying wins. THAT is why you must run your own numbers — small input changes swing the result.

Use the interactive calculator on villow.in to plug in your real rent, price, down payment and rate — it does this 7-year comparison live.

The 4 break-even rules (do these on your phone in 60 seconds)

You don't need a spreadsheet to sanity-check a deal. Four quick rules:

1) The 20x rule — annual rent × 20 ≈ fair price. If a flat rents for ■3 L/yr, a fair-ish price is ~■60 L. If they're asking ■1.2 cr (40x rent), renting is mathematically the better deal at that price; buying only makes sense on emotion or expected appreciation.

2) The 5-year floor. Stamp duty, registration and brokerage are sunk costs you eat on day one. If you won't stay put ~5+ years, you likely won't recover them — rent instead.

3) Interest (~8.5%) vs appreciation (~6-7%). You're borrowing at 8.5% to hold an asset rising ~6-7% [Sources: RBI lending-rate range; RBI House Price Index / NHB Residex]. When the loan rate sits above appreciation, the math leans toward rent + invest.

4) The price-to-income red line. Total home price > 10× your annual household income = stretched. Healthy is closer to 4-5×. Above 10×, you're house-poor: EMI eats the savings you'd otherwise invest.

Quick self-check: [ ] Asking price under 20× annual rent? [ ] Staying 5+ years? [ ] Appreciation expectation beats your loan rate? [ ] Price under 5× (ok up to ~10×) your annual income? Three-plus ticks → buying is reasonable. Mostly crosses → rent and invest the difference.

When buying genuinely wins (it's not always rent)

This guide isn't anti-buying. Buying clearly wins when:

• You'll stay 7-10+ years — time crushes the upfront sunk costs and lets appreciation + loan paydown compound in your favour. • Rent is high relative to price (the flat sells near or below 20× annual rent) — a low buy-price means your EMI is close to rent anyway. • You'd otherwise NOT invest the difference. The rent-and-invest case only works if you actually invest every spare rupee with discipline. Most people don't — they spend it. A home is a forced-savings plan you can't casually dip into. • Stability, renovation freedom, kids' schooling, ageing parents — life reasons that money math can't price. These are legitimate. Just buy with eyes open on the real cost.

The honest takeaway: at today's ~8.5% loan rates, ~2.5-4% rental yields and ~6-7% appreciation, the math often favours rent + a disciplined index SIP for the priced-out 22-40 buyer — UNTIL you find a genuinely fairly-priced home you'll hold for years. Then buying can win outright.

→ **Next step:** Once your math says buy, the real risk isn't the rate — it's the listing. Inflated \"asking\" prices, fake photos, hidden charges and unverified titles are where buyers get burned. villow.in is buyer-first: only VERIFIED listings, real prices, and your contact details are never sold to a wall of brokers. Run your rent-vs-buy numbers on villow's free calculator, then browse only homes that have actually been checked — so when you do buy, you buy clean.

Sources: - Home-loan EMI / interest doubling principal: standard EMI formula on ■75-80 L, 20 yr, 8.5%; RBI weighted-average lending rate on housing loans ~8.3-8.5% (2024) - Nifty long-run ~12% CAGR: NSE Nifty 50 TRI long-run historical returns - Residential rental yield ~2.5-4%: commonly cited Indian residential yield range (Anarock / Magicbricks city data) - Home appreciation ~6-7%: RBI House Price Index / NHB Residex long-run trend - Stamp duty + registration ~5-7%: state stamp-duty schedules (e.g. Maharashtra IGR) - GST 5% under-construction / 1% affordable / 0% ready-to-move & resale: CBIC GST on real estate, Notification 03/2019-Central Tax (Rate)

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