

Investment in Real Estate Sector in NCR- A High Pay Master

Priyanka Saroha^{1*}, S.K.S. Yadav², R.S. Meena³

¹Vocational Studies, Delhi University, Delhi (India)

²Department of Commerce, Meerut College, Meerut, U.P (India).

³Department of Commerce, BHU, Varanasi (U.P) India

Abstract

Delhi NCR's most attractive affordable destination, Noida Extension, now called Greater Noida (West), has passed through a troubled phase. After about a year, the deadlock is finally broken, re-igniting hopes of more than a lakh home buyers Greater Noida (West) -- a brand new name and hopefully a new chapter of growth for the upcoming real estate hub! Earlier, developers had coined the name 'Noida Extension' to differentiate it from both Noida and Greater Noida. But now this area, under the jurisdiction of Greater Noida Industrial Development Authority (GNIDA), has been rechristened. The another vast stretch along the swanky Yamuna Expressway promises to spawn real estate development in a big way. Thanks to availability of huge land parcels, sound infrastructure and affordable prices for middle class people. Whatever we term it, the area, which has been through a rough one year when the land acquisition row stalled all construction and development work, is yearning for a new beginning now. Thus, Noida Extension, Yamuna way and Gurgaon pay masters for those who are willing to invest in real estate since it is newly and vibrantly developing area near Delhi.

Keywords: GNIDA, NCR Planning Board, Yamuna Express way, Mega Project, Demand gap, Value gap

PAPER/ARTICLE INFO

RECEIVED ON: 15/10/2013

ACCEPTED ON: 31/12/2013

Reference to this paper should be made as follows:

Priyanka Saroha, S.K.S. Yadav, R.S. Meena (2013) "Investment in Real Estate Sector in NCR- A High Pay Master" Int. J. of Trade and Commerce-IIARTC, Vol. 2, No. 2, pp. 425-444

1. INTRODUCTION

For the larger part of the year, construction work in the area had been stalled here after the Allahabad High Court quashed the acquisition of agricultural land in Shahberi village. Due to the cancellation of land acquisition, several projects coming up in the then Noida Extension were hit. The High Court then had directed the Greater Noida Authority to seek approval of its draft plan from the NCR Planning Board. After eight months of limbo, NCR Planning Board finally cleared the Greater Noida Master Plan 2021 in August 2013.

“After the Board’s clearance, the construction has resumed and we hope to deliver our project, Ajnara Homes, as quickly as possible. The wait has been quite long for buyers and developers alike hence we would be trying our best at timely project delivery,” assures Ashok Gupta, MD, Ajnara India. Mohit Arora, director, Supertech Group also echoes the same sentiment, “We have immediately resumed construction in all our projects in Greater Noida (West) and have completed up to 75 percent work in some projects”.

2. HIGH ON CONNECTIVITY

According to property brokers operating in the area, the upcoming sectors falling in Greater Noida (West) are attractive due to their proximity to Sectors 121, 62 and 63 of Noida. “These sectors do not only boast of commercial developments, they are situated along the proposed metro connectivity link. In addition, these sectors of Greater Noida (West) are well connected to NH-24, Ghaziabad and Anand Vihar,” says Aakash Aggarwal, a real estate broker based out of Noida. The arterial roads of Greater Noida (West) will soon be developed and connected to a 130-metre wide road joining the road from Sector 121 in Noida, extending through its breadth, and ending up at Pari Chowk.

Spread over nearly 3,635 hectares, the area is also on the metro radar with plans to extend the existing blue line from Noida City Centre to Greater Noida via sectors 51, 78, 101 in Noida and Dadri Road, Knowledge Park 2 and Pari Chowk in Greater Noida.

However, a note of caution for buyers and investors: these infrastructure plans are subject to approvals. Those keen on Greater Noida (West) may have to wait for a few years to see these residential schemes taking shape.

Delhi NCR as Noida, Ghaziabad, Greater Noida, neighborhoods, market trends and home values.

The four constituent Sub-Regions of NCR are as follows:

1. The Haryana Sub-Region comprises eleven districts: Faridabad, Gurgaon, Mewat, Rohtak, Sonapat, Rewari, Jhajjar, Panipat, Palwal, Mahendragarh(Narnaul) and Bhiwani
2. The Uttar Pradesh Sub-Region comprises some districts: Meerut, Ghaziabad, Gautam Budha Nagar, Bulandshahr and Baghpat
3. The Rajasthan Sub-Region comprises two districts: Alwar & Bharatpur
4. Delhi, which constituting about 5% of the Region.

Haryana is pushing to have Jind and Karnal included in the NCR, while UP is pushing to include Aligarh, Mathura and Vrindavan in the NCR.

Map Of Delhi-NCR is given as follows:



3. PROMISED INFRASTRUCTURE

Apart from the promised connectivity, the infrastructure envisaged for Greater Noida (West) sounds impressive, to say the least.

The NCR Planning Board has instructed GNIDA to ensure that 16 percent of the total area under the plan is kept aside for greenery. The committee has also made it mandatory for the authority to reserve 20-30 percent units under all residential schemes for the Economically Weaker Sections (EWS). Besides, the authority has been asked to have proper provisions for sewer and solid waste management.

Experts are also bullish about Greater Noida (West) for other reasons, "The area will prove to be a tough contender to other localities in NCR, primarily in terms of pricing and location. This fact has also spurred commercial and corporate activity in the area, as commercial property rates are also far more competitive when compared to those in the developed sectors of Greater Noida and Noida," avers Santhosh Kumar, CEO, Operations, Jones Lang LaSalle India.

4. NO MORE AFFORDABLE

While good connectivity and future infrastructure are factors creating a buzz around Greater Noida (West), it is affordability that has long been the biggest draw for buyers. Developers such as Supertech, Amrapali, Ajnara, Gulshan Homz and Gaursons have all launched ambitious

projects in this upcoming hub. Even as areas in Delhi-NCR such as Gurgaon, Dwarka and Noida have been offering apartments at an average basic price of Rs. 5,000 to Rs. 5,500 per sq ft, Greater Noida (West) was attracting buyers with apartments being offered in the price range of Rs. 1,600 to Rs. 2,100 per sq ft.

But these attractive rates have now become a thing of the past, with pricing of apartments having increased by 40-50 per cent, to touch the range of Rs.3,000 upwards.

“The input cost in last one year has gone up drastically. Hence the price increase has been in the bracket of Rs. 900-Rs.1000 per sq ft,” admits Ashok Gupta of Ajnara India.

But some developers are promising that they will safeguard the buyers’ interest, “The input cost has increased manifold but as per our promise we will not increase the price for our existing buyers,” affirms Deepak Kapoor, director, Gulshan Homz.

5. GLITCHES REMAIN

Not all developers are being considerate towards existing buyers. Homebuyers have alleged that some developers in Greater Noida (West) are putting pressure on buyers to either pay 10 per cent more and resume installments or face cancellation.

“Banks are still apprehensive and have not resumed loans to buyers, who had got their loans sanctioned before the crisis started. Banks are not even sanctioning loans to new buyers. So, we are unable to pay to builders,” rues Devender Kumar, Chairman, Noida Extension Flat Owners and Members Association (NEFOMA).

Farmers from the area have also put a spanner in the wheel of Greater Noida’s (West) development. They have been staging protests at the construction site ever since the Greater Noida Master Plan 2021 got approved, creating obstacles in the construction work. Earlier, farmers of more than 40 villages moved the Supreme Court seeking their land back and there are more than 500 writ petitions still pending in the apex court. Until these legal tangles get fully resolved, peace will continue to elude lakhs of home buyers.

6. ROAD AHEAD

Home buyers have fought a long pitched battle for their rights and don’t want to lose hope, “If the dispute is legally and amicably resolved, Greater Noida (West) will be an ideal place to live with all modern facilities,” says Devender Kumar of NEFOMA.

Experts also exude optimism and feel that the prospect of this NCR destination losing its tag of affordable housing segment is not that imminent. “The realty market at Greater Noida (West) has emerged unscathed out of the whole controversy. The area continues to have unique selling point of location for affordable housing when compared with Noida and Greater Noida. The price appreciations are real enough to buyers, and it is expected that prices will now either remain stable at the current levels for a couple of quarters, or climb only marginally,” affirms Santhosh Kumar of Jones Lang LaSalle India.

7. YAMUNA EXPRESSWAY: ANOTHER VIBRANT AREA

If Shahjahan, the erstwhile Mughal emperor, was alive today, he would have been happy to explore Yamuna Expressway which has brought Taj Mahal, the monument commemorating his beloved Mumtaz Mahal, nearer to Delhi – a mere two and a half hour drive from Greater Noida. The expressway has caught the fancy of the travelers between Delhi and Agra, and also

opened up vast opportunities for real estate development. Increasing industrialization of



Fig.1: High Class Residential Flats Developed in Noida

Greater Noida and its proximity to Delhi-Mumbai Industrial Corridor have further fuelled the growth of real estate along this area.



Fig.2: High Class Commercial Complex Interior Developed in Noida

Sighting strong potential of this area, a large number of leading developers are either already active here, or planning to launch their projects along the expressway. Property market here has looked up ever since the expressway got opened for commuting. The real estate companies are witnessing about 50 per cent increase in buyers' queries for their projects now.



Fig.3 Yamuna Express Location

Developed by Jaypee Infratech, a part of Jaypee Group, this 165.537 km long elevated expressway, known earlier as Taj Expressway, provides connectivity between Noida, Greater Noida, Ghaziabad, Meerut, Aligarh and the two well-known tourist destinations Mathura and Agra.



Fig.4 View of Yamuna Express Way

“The developers at this location have an option to select between group housing, institution and industry land. On the other hand, the investors have options to choose from various built up and plotted offers along the expressway,” says Pradeep Jain, chairman, Parsvnath Developers.

The stretch is well-planned. There are several engineering and management colleges and institutes located nearby. The place also holds several tourist attractions including one of its kinds Bernard Harrison designed night safari. Moreover, Formula 1 event held last year at Buddh International Circuit situated in the proximity, also brought this area into limelight.

“The location is a win-win situation for both the end-users and the investor as it holds great scope of growth in the future,” says RK Arora, chairman and managing director, Supertech Ltd.

8. THE VISION

According to an official of Yamuna Expressway Industrial Development Authority (YEIDA), “The Yamuna Expressway project was conceived with the idea to not only reduce the travel time between New Delhi and Agra but also to open up avenues for industrial and urban development of the region and to provide the base for convergence of tourism and other allied industries.”

The area also boasts of 650 acres of integrated IT park developments, “Sector Tech Zone”, comprising plots of area ranging 8-100 acres. The Tech Zone has become most sought after by IT-ITeS companies today.

Gradually because of all these factors, and most importantly the advantage of ‘speed’ which is a buzz word for development in today’s fast moving world, the expressway has become a hub of real estate options.

9. MEGA PROJECTS

A large number of townships with high-rise towers and plotted developments are coming up in this area.

Jaypee Group has taken a lead into this region and developing townships including Jaypee Greens Sports City comprising theme based homes along with golf course and a slew of sports stadiums. The company is also developing Jaypee Greens Wishtown Agra located at the intersection of NH-2 and Yamuna Expressway.

Supertech has two projects, christened Upcountry and Golf Country, each spread over 100 acres of land along Yamuna Expressway. Upcountry offers plots, villas, castles, high rise condominiums, second inning homes, hotels, schools and hospitals. Golf Country comprises individual plots, villas and high rise buildings set amidst the scenic lush green 9-hole golf course.

The 3C Company is developing its township Lotus City in this area offering plots of various sizes. Orris infrastructure also has a couple of townships along this expressway.

Claiming that their residential project Livia to be developed over five acres of land in sector chi5, will be delivered in next three years to its buyers, Diwakar Sharma, director, Shubh Kamna Advert feels that the kind of development that is lined up along the Yamuna expressway will definitely make this zone a perfect choice for everyone. Livia offers 2 to 4 BHK studio apartments. Parsvnath Developers also has its presence in the region. According to the company, it is doing two group housing projects at a fraction of distance away from Yamuna Expressway in Greater Noida. The area has also witnessed commercial development with the advent of 'The Great Adventure Mall' by AMR Infrastructure. Located at Tech Zone along Yamuna Expressway, this mall has a slew of adventure facilities like helicopter joyride, hot air ballooning, go-carting, and theme based restaurant & cafe, ice skating rink amongst others. The other developers who are having their projects in this area include Aminiti Builders, Ajnara India, Anushria Realtors, Silver Sands Estate, and many more.

10. APPRECIATION POTENTIAL

Property experts predict that with the world-class expressway and abundance of land, this area holds a promise of manifold price appreciation in ten years hence. By then, it is expected, all the planned infrastructure of this area will be in place and it will bristle with lots of residential and commercial developments.

Says Kapil Agarwal, managing director, AMR Infrastructures, "Gradually, as the traffic of this expressway increases, it is going to give a fillip to commercial developments, encouraging residential developments in a big way."

In fact, real estate prices have already started soaring with the completion and operationalisation of Yamuna Expressway.

Plots which were allotted to people by YEIDA about a couple of years back at the rate of Rs. 4750 per square meter (psm) are now available at the rate of Rs. 11,750 psm to Rs. 13,750 psm on an average in the secondary market. Obviously these rates are now commanding a premium of Rs. 7000 to Rs. 9000 psm. Similarly, the developed plots are available in the range of Rs. 22,000-26,000 per square yard (psy) price bracket. Says Brijesh Bhanote, director, sales & marketing, The 3C Company, "The land prices in Lotus City have seen an appreciation of around 55 per cent since the expressway became operational. Just one year back the land price in Lotus City was Rs. 16,000 psy, but now it has climbed to Rs. 25,000 psy. Price of apartments has also soared up. According to local property brokers, the residential apartments have recorded almost two-fold appreciation in the rates in just a couple of years. Currently, the price is hovering between Rs. 2000-3500 per square feet (psf).

11. FUTURE BECKONS

With land shortage and skyrocketing real estate prices in most of the other areas of NCR, Yamuna Expressway region provides great alternatives to the people looking out for residential and commercial properties.

Bhanote informs, "Before starting our project in this area, our team had done a research to understand the potential for real estate growth in this area and the research highlighted that due

to availability of huge land parcels, good infrastructure and affordable prices, real estate at this area is poised to grow.”

Says Arora, “According to Master Plan 2021, the area will feature super specialty hospital, schools, colleges and several facilities in near future. Moreover, Gautam Buddha University is already operational there providing the students better and advanced education. We will see the industrial and corporate players entering in the region soon, giving the area a further push.”

12. DELHI-NCR REAL ESTATE MARKET VIS-AVIS MANY OTHER CORRIDORS IN THE COUNTRY

To start with, both investors and industry watchers agree that the attracts investments as it is one of largest job creating clusters, has world-class infrastructure and there is a fair degree of property appreciation. All the four sub-sectors – housing, retail, hospitality and commercial – are growing as they are linked to industries that are fostering employment and economic development.

Realty watchers note that the Indian real estate sector has been a mixed bag of growth in the last decade. A Crisil report says that growth in the real estate sector in Delhi-NCR region started in 2001 and lasted till about 2010.

13. GROWTH PARAMETERS

Rapid urbanisation along with proliferation of nuclear families, a culture of moving into apartments also picked pace along the way. Additionally, factors such as higher disposable income, FDI money in various sectors such as services, manufacturing and retail boosted growth. Banks and NBFCs also encouraged lending during 2001-05. This led to a huge demand for real estate. Developers started to offer schemes and discounts.

Not just the NCR region, but also adjoining areas such as Sonapat, Faridabad, Rohtak, Jaipur, Agra and Meerut grew on the back of connectivity such as expressways and road and rail links.

The NCR real estate segment showed resilience during the slowdown. Going forward, residential real estate prices are expected to increase owing to the limited land supply coupled with an increase in construction cost.

According to the Delhi Master Plan 2021, the population pressure is expected to move up from 18.2 million in 2011 to 19.9 million in 2016 and to 23 million in 2021.

The population density is expected to move up to 225 persons per hectare in 2021 only for Delhi National Capital Territory as indicated by the Delhi Master Plan 2021 from 112.97 persons per hectare for Delhi NCR as indicated in the Census 2011 data. Hence, significant demand is expected to hit this micro market, which shall support the upward movement in prices.

14. NCR MARKET AT PRESENT

International property consultancy Jones Lang LaSalle India says that Delhi-NCR is the largest urban agglomeration in India and the second largest in the world. What makes the Delhi-NCR market interesting is that it has an independent planning board, which was constituted to channel the flow and direction of economic growth and development along more balanced and spatially orientated paths. The body creates its own functional plans for the various constituent sub-markets of Delhi NCR and ensures implementation at state level, keeping in mind the overall regional plan.

Ashutosh Limaye, Head - Research & REIS, JLL, says, "All three real estate sectors in Delhi NCR – office, retail and residential – are displaying growth on account of the sub-urban towns surrounding the prime city. The market drivers in these regions are the considerable untapped development potential in these areas, and the substantial financial viability and affordability that they offer to both developers and end-users."

Delhi NCR typically comprises sub-urban sprawls of Gurgaon, Noida, Ghaziabad.

Knight Frank India notes that the NCR market has fared both in terms of launches and absorption in the wake of cautious consumer sentiments. The NCR market is striving for a better equilibrium and developers focusing on project completion and deferring new launches.

In the first half of this year, NCR witnessed a total absorption of 35,000 units, an increase of 18 per cent from last year. Increase in sales can be attributed to the high number of project launches in the affordable category.

Shishir Bajjal, Chairman and Managing Director, Knight Frank India, said, "The NCR residential market indicated signs of stability in H1 2013. Nearly 49,000 units were launched in this period showing marginal increase of 11 per cent compared with H1 2012. However, a comparison with the first half of 2011 and 2010 reveals a dip of 33 per cent and 59 per cent, respectively. It is quite evident that developers are keeping new launches in check in order to bridge the supply and demand gap."

Samantak Das, Chief Economist & Director Research, Knight Frank India, said: "Over the past two years, the NCR market has experienced a fall in launches by nearly 40 per cent compared with the peak levels of 2010. Both short-term and long-term moving average of launches confirms a plummeting trend. However, demand has recently stabilised and improved in the last few quarters, which sketches a healthy residential market scenario for NCR and if the supply-demand gap tapers further, the region is likely to face an upward pressure on property prices."

12. OUTLOOK FOR DELHI NCR

The NCR residential market shows a cautious outlook owing to the slowdown in both project launches and absorption. Developers are facing a liquidity crunch due to limited access to both domestic and international funds leading to a slowdown in construction activity resulting in project delays. Consumer confidence has been marred due to higher interest rates, inflation and the current economic outlook.

13. COMMERCIAL PROPERTY

A RICS India Commercial Property Survey says that sentiment in the Indian occupier and investment real estate markets has been hit on account of deteriorating levels of growth in the economy, continuous fall in the rupee value, high retail inflation and subsequent rise in key policy rates.

Sachin Sandhir, Managing Director, RICS South Asia, said, "From the occupier's point of view, commercial spaces often involve more capital. Problems such as lower sales, cash flow crunch, expensive loans, high cost of labour and inflation have made occupiers cautious about their investments. Even investors – considered a good source of funds for developers – now prefer residential over commercial."

14. PROPERTY FOR RETAIL SECTOR

A DTZ survey adds that despite the cautious outlook for the retail sector, several international chains have announced expansion plans – Cinepolis, a multiplex operator, which intends to operate 400 screens in India by 2016; Starbucks has plans to open 100 outlets by end of next year. As of Q3 there is a proposed supply pipeline of 21 million sq ft scheduled for completion over the next three years. However, in the wake of the economic condition, several developers continue to re-evaluate the scheduled timelines of their projects.

15. RESIDENTIAL

Cushman and Wakefield says that top eight cities have witnessed total estimated residential unit launches of 132,000 units between January and September 2013, a five per cent increase over the same period for 2012.

High-end property launches in the first three quarters of 2013, which was recorded at 23,500 units, saw the highest growth of 142 per cent over same time last year, while launches in the luxury housing category declined 10.5 per cent between January and September 2013 over same period last year. The residential market has been witnessing stagnant trends in the capital values as well through most micro markets as through across major cities on account of restrained activities.

Over the last 10 years, real estate in India has given good returns. So, like millions of citizens, Yashpal Arora, who lives in Gurgaon, a New Delhi suburb, wanted to benefit from rising property prices. He invested in plots advertised by Vian Infrastructure, a real estate company launched in 2006 with several projects across the country. Impressed by the company's advertisements, Arora invested in multiple plots in Neemrana, Jaipur and Haridwar in 2006. Around 80 of his friends and relatives also invested in the company's projects.

"The total investment of our group was Rs 2.5 crore. Each one of the 80-odd people in our group booked plots in these projects in 2006 with whatever disposable money they had, from a few lakhs to much more," says Arora.

In 2007, Arora visited Neemrana on business. While there, he tried to locate his plot. There was no sign of the project. He sought information from sub-registrars, tehsildars and town planners at Neemrana, Jaipur and Haridwar. YASHPAL ARORA (Gurgaon), INVESTMENT: Plots in Neemrana, Jaipur and Haridwar (2006) - Arora got swayed by advertisements of Vian Infrastructure, a small realty firm. He invested in multiple plots at various locations. In 2007, he came to know there was no signs of the projects in which he had parked his money.

The projects, it turned out, had never existed. After queries sent to the company went unanswered, Arora lodged a complaint with the Economic Offences Wing of Delhi Police. The subsequent litigation dragged on for years, after which the court ordered the company be liquidated.

According to Arora, who is now **spearheading agitation against developers** through an association, around 6,000 people who have invested in projects by Vian will receive their money after secured creditors are paid their dues.

Rajesh Kumar, a 27-year-old resident of Dwarka, New Delhi, was slightly luckier than Arora. Kumar booked a 1,000 square feet office space in a project of Citra Properties, a subsidiary of Indiabulls Real Estate, part of a large corporate house. In September 2010, he paid Rs 2 lakh

'enrolment fee' for space in a commercial complex in Gurgaon. He was hoping for big returns with the builder announcing a launch price of Rs 40 lakh.

The project, which was to start in three months, did not take off even after a year. During this period, **the broker kept on misleading** him with prices showing that his investment has risen in value.

RAJESH KUMAR (Dwarka, New Delhi), INVESTMENT: Office in Gurgaon (2010) - Kumar paid Rs 2 lakh for an office unit in the pre-launch stage of a commercial complex of Citra Properties, an Indiabulls Real Estate subsidiary. After a long wait of around 18 months, he was asked to take his money back

After many queries, the company asked him to take back his money. At first, Kumar didn't want to exit as that would have meant losing out on returns in the booming Gurgaon property market. However, he agreed after he came to know that others, too, were opting out. He was refunded the money after he signed a declaration that the money was being given back on his request.

"I had invested in expectation of good returns. I did not want the money back. I wanted to own a property in Gurgaon. I did not earn any return on my money for around 18 months," he says.

16. INVESTMENT IN REAL ESTATE IN PRE-LAUNCH STATE

Investing in a property in the pre-launch stage is highly risky. Since such projects are still on the drawing board, their final specifications can change drastically.

Indiabulls could not provide its responses to Kumar's claims even after being provided with supporting documents.

Real estate has become a popular investment avenue. However, lack of transparency and tight regulations means buyers are making investment decisions with limited understanding of the risks involved in parking their hard-earned money in real estate.

"In any property transaction, **you cannot be 100 per cent sure**. There is only a certain level of satisfaction that can be achieved," says Manish Aggarwal, executive director, investment services, Cushman & Wakefield India, a real estate consultancy firm.

Though you cannot make your real estate investments risk-free, you must be aware of the possible dangers on the road to property ownership. Here, we discuss a few of these pitfalls.

17. FOUL PLAY WITH INVESTORS

The real estate sector has no entry barrier. With the economy booming and no let-up in demand for real estate, **a number of players have entered the sector**. Though not all new developers are dubious, many investors fall prey to unscrupulous companies.

Take Manoj Thakare from Maharashtra. "In 2010, I bought a plot in Nagpur from Minerva Group, a registered company. I paid Rs 5 lakh for the 3,200 sq ft plot through cheque," he says. "I did not check the company's record."

Thakare did not verify the land's ownership either. "The land belonged to the developer's friend. Now, the friend is selling it under a new project," he says.

At times, developers launch new projects and use the booking amount to buy more land. This creates a cashflow crisis for the builders.

After the economic slowdown, many small real estate companies have vanished, leaving behind investors with nothing except purchase agreements. For instance, Sanjeevani Buildcon in Ranchi,

Jharkhand, is accused of cheating people of crores of rupees. A Bhubaneswar-based developer, Sai Pragati Assets and Properties Private Limited, is being probed by the Economic Offences Wing of the city police. It is alleged to have collected more than Rs 100 crore from people by promising them land at low prices.

A lot of small developers advertise low-cost properties in small towns and suburbs. Don't trust them blindly. Until there are entry barriers and tough rules for developers, it's your responsibility to verify the builder's credentials. "The best way to protect yourself from fraudulent developers is to examine their past projects. This usually reveals the developer's true colours," says Samarjit Singh, managing director, IndiaHomes, a real estate brokerage. Instead of looking for dirt-cheap deals by little-known companies, invest in projects by reputed builders. A listed company will be more transparent and likely to comply with regulations.

18. INFRA PITCH

Location drives a property's value. A centrally-located property with amenities close by will be more expensive than a property in a farflung area. However, it is beyond the reach of most. So, investors prefer upcoming locations where civic infrastructure is being planned.

19. QUICK TIP TO INVESTRNIN PROPERTIES

Always check the credentials and track record of a developer before investing in its project. Talk to its customers and verify the status of its past projects. Never base your decisions on ads.

"Several people who wish to earn good returns invest in properties near proposed infrastructure projects such as metro stations, expressways, highways and airports. Even end-users are attracted by the proximity to public infrastructure and the fact that when these infrastructure projects are completed, the prices of properties will jump manifold," says Sachin Sandhir, managing director, RICS South Asia, a self-regulatory body of real estate professionals.

However, buyers must be cautious while investing in properties near "proposed" infrastructure projects. If the infrastructure project, for whatever reason, does not come up or is delayed, the value of the property may remain stagnant or even fall.

"There is no guarantee that the proposed infrastructure plan will see the light of day. Considering that several infrastructure projects are delayed or cancelled, it is wise for end-users to not let their purchase decision be swayed by such promises," says Sandhir.

A buyer must verify the claims made by the builder. "All infrastructure proposals are in public domain, but accessing this information is difficult. You can find some proposed infrastructure such as roads in the approved building plan, which should be available at the builder's site office," says Manish Sinha, chief executive officer, Favista.com, a web-based real estate advisory company.

"Proposed highways, railroad links, etc, can be found in the city master plan that is available with the district town planner," he adds.

20. TITLE DISPUTES: A BIG PROBLEMS

Home buyers need to decide whether the price reflects the current market reality and whether it will be a profitable investment.

All land-sale transactions are registered. However, land title records in India are in a very bad shape. Several land-related transactions such as partition, mortgage, agreement to sell, court

order and acquisition are not required to be registered. Even when a sale is registered, the history of the title is not verified. Unlike most developed nations, which have a system of guaranteeing land titles, India has not even digitised its land records.

"What we have is presumed ownership, which is questionable and can be challenged on multiple fronts-ownership, extent of boundary, financial encumbrances and inheritance sub-divisions," Swati Ramanathan, co-founder of Janaagraha, a non-profit organisation focused on civic issues, writes in "Introduction to Land Title Certification System-State Level Reform," published on the website of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a central scheme that aims to modernise cities.

Under the JNNURM, the reform of the land title system to provide guarantee of ownership is optional for state governments. A few states initiated the process of guaranteeing land titles but could not produce any concrete result.

The lack of clear land titles means all land transactions are risky. If you are buying land, you must trace past ownership to avoid any dispute in the future.

"The checklist that buyers must follow includes verifying if the seller is authorised to sell the land, the title is clear, there are no pending taxes/dues, the plot is approved by the city development corporation and other local authorities, and clearances for further development are in place," says RICS' Sandhir.

To minimise the risk, one can issue advertisement notices in newspapers and use an escrow agent/service for payment. However, these are generally used only in high-value transactions.

21. DELAYED PROJECTS: ANOTHER BIG PROBLEM

Delay in getting possession is common in several locations, especially the Delhi-National Capital Region (NCR), Mumbai and Chennai. In Delhi-NCR, a large number of projects **launched way back in 2006 are still under construction** when the promised delivery period is usually 42 months (including a six-month grace period).

"At times, the developer acquires land, launches a project and uses the booking amount to buy another land. Buyers who have opted for construction-linked payments do not pay instalments until the construction reaches the promised stage. This creates a cash-flow crisis for the builder," says Aggarwal.

The risk of delay is high in prelaunch and launch stages and falls as construction nears completion. You can reduce this risk by choosing a developer with a good record of timely delivery. Also, check that all the clearances are in place.

"For instance, in Gurgaon, all real estate projects need to get a licence. When a builder advertises a property for sale, it mentions the licence number as well," says Aggarwal. If a project in Gurgaon does not have the licence number, stay away from it.

22. VALUATION RISK: ON PROPERTY

Are you paying the right price for the property? To be sure, you must get the property valued by professionals. "Home buyers need to decide whether the price reflects the current market reality and whether it will be a profitable investment," says Sandhir. "It helps to consult a professionally qualified 'valuer'. However, in India, there is a lack of qualified professional valuers and

ignorance about valuation services which can be availed through various companies, financial institutions and independent valuers," he adds.

A valuation report focuses on various aspects of a property, including the defects in the building. If the building needs repairs, it will take the cost into account.

Valuation risk is present in new projects as well. Before you book such a property, you must compare prices and features of similar properties in the locality.

You should also consider your aim. "You must carefully analyse your objectives. If high returns are important, commercial properties are a better option with yields of 10-13 per cent a year compared to 3-5 per cent generated by residential properties," says Sandhir.

Understanding the residential property market is easier. In contrast, commercial properties are influenced by macroeconomic factors, and have volatile prices and long gestation periods.

"Commercial property is often regarded as more appropriate for high net worth and institutional investors who are capable of taking more risk. Investments in the residential sector are more appropriate for individuals who tend to invest large sums in a single asset class and want to hold it for the medium to long term," says Sandhir.

23. PROTECTIVE COVER THROUGH REAL ESTATE A REGULATORY BILL

- The draft real estate regulatory Bill, which proposes to set up a regulator for the sector, has several provisions to protect buyers and prevent builders from taking them for a ride.
- All projects where the land exceeds a certain area (the draft Bill is said to have revised the area from 4,000 sq.m to 1,000 sq.m) will have to be mandatorily registered with the regulator.
- Developers will have to disclose details of projects, status of land parcels, statutory approvals and details of the contract with the buyer.
- A portion (currently, said to be fixed at 70 per cent) of the money collected for a project from buyers will have to be deposited in a separate account and will be used only for that project.
- Developers cannot accept advance without entering into an agreement with the buyer. This means developers will not be able to rope in buyers at the pre-launch or soft-launch stage where the project is generally on the drawing board without formal clearances.
- If a developer is not able to give possession of the property on schedule, the buyer will be entitled to a refund of the full amount with interest (15 per cent p.a.). A buyer can also seek refund if the developer fails to fulfil its contractual obligations.

The regulatory authority will have the power to take over the development work of a project if its registration lapses or is cancelled.

24. HOME LOAN: A EASY WAY TO TAKE PROPERTY

A home loan allows people to have their own house even if they cannot pay the full price upfront. "If the interest rate on the loan is less than the return, it makes sense to take a home loan for investment," says Sinha of Favista.com. Thus the real estate sector is giving much better returns than the home loan rates. Banks are also more comfortable lending to individuals rather than real estate projects.

Banks usually limit installments at 40-50 per cent of the borrower's salary. The loan amount is capped at 70-80 per cent value of the property. However, this does not eliminate the risk. Many

people take as much loan as they are eligible for. If interest rates rise significantly after that, they may fail to pay up.

There is another risk. If construction is delayed or the value of the property does not rise fast enough to yield a return that can cover the cost of funds, we will end up losing money. Also, if the price of the property falls to less than the loan amount, our equity in the house will turn negative. In the downturn, such cases were common in the US. If our share in the house turns negative and the bank decides to recover its money by disposing of the property, we will be liable to pay it the balance amount.

Some people take loans to buy their second home to gain from tax deductions on principal and interest payments. Tax-saving should not be the sole criterion for buying a property.

25. CIRCUMVENTING RULES REGARDING PROPERTY SALE/PURCHASE

Property sales are often carried out through power of attorney (PoA), a contract in which the seller passes on the right to maintain, rent, lease, mortgage or sell the property to the buyer. A PoA does not transfer ownership rights.

Transaction of immovable properties through PoA has no legal sanctity. According to a Supreme Court ruling in October 2011, immovable properties can be sold or transferred only through registered deeds.

In several locations, an irrevocable power of attorney or sale agreement followed by an irrevocable general power of attorney and then bequeathing of the property to the buyer via a will are used to sell properties that cannot be registered through the legal route.

If the property is not bequeathed by the seller to the buyer through a will, the legal heirs can claim ownership after the death of the seller. Even when a property is bequeathed to the buyer, the validity of the will can be challenged on terms such as the right of the owner to bequeath an inherited property. Banks also do not recognise such deals. As there is no record of such transactions, PoA can be easily used to sell a property to multiple buyers.

Buying on PoA is risky even when the agreement can be registered. "There are so many cases where the person selling the property does not hold the power of attorney in the right manner," says Sinha of Favista.com.

26. ECO-FRIENDLY TRICKS REGARDING PROPERTIES

Eco-friendly buildings are gaining popularity among buyers who are conscious about nature. Putting the 'eco-friendly' tag also helps builders in marketing their properties. However, some of these claims are made on the basis of some superficial features such as lawn and gardens.

"For a property to be recognised as 'eco-friendly', it needs to satisfy criteria designed to address specific environmental impacts inherent in design, construction, operations and management of a building," says Vishwajeet Jhavar, chief executive officer, Marvel Realtors, which is a founding member of the Indian Green Building Council.

When buying an environment-friendly home, check that it has been certified by a rating agency that identifies genuine eco-friendly projects.

27. DELHI NCR: A PLACE FOR INVESTMENT IN REAL ESTATE

*The recent approval of the Gurgaon Master Plan 2031 has called for many debates and discussions over its impact on the real estate market of the mega-city. **Pramod Agarwal, ED of Microtek Infrastructure Pvt***

Ltd, talks to Shradha Goyal of MagicBricks.com Bureau and discusses the provisions under the plan and what the investors can look forward to:

Master plan of Gurgaon 2031 all about

The 2031 Master Plan of Gurgaon is based on the unused land which was meant for developing Special Economic Zones (SEZ). Under the plan, several pockets have been identified for developing residential, commercial and industrial zones in Gurgaon.

Areas are expected to be included under new plan

Several new sectors falling on the Dwarka Expressway such as Sectors 88, 88A, 88B, 88D, 95A, 95B and 99A are planned to be included in the city. Already, there is a gamut of projects coming up in the area and are expected to be completed in another five years. After that, there will not be much scope of further residential development. The demand too, is robust as these sectors are close to Delhi.

The plan may be instrumental in pushing investment returns in Gurgaon

We expect the property values in the developing sectors to double in the coming three years. Proximity to Delhi, completion of the 150mt wide Dwarka Expressway and the delivery of planned projects would result in high returns on investments. Also, the increased construction costs are constantly adding to the increasing property values. The coming three years will also see the construction costs doubling.

Sector 68A has been earmarked for LIG housing.

The land allotted for the development of Low-Income Group (LIG) homes is definitely not sufficient. As per the policy by Haryana Government, the developers would be providing LIG housing at a price of Rs 4,100 per sq ft. The construction quality would be maintained as per the standards, including facilities such as two-wheeler parking. Also, these homes would be allotted to the buyers as per the eligibility criterion that they should not own any other home in Haryana. Sales velocity in Mumbai Metropolitan Region, Bangalore, Pune, Chennai and Hyderabad was 1.12%, 2.27%, 1.61%, 1.53% and 1.34%, respectively. Most markets are set to see a rise in inventory as a number of projects are nearing completion.

Even property brokerages are saying that the market is bad. "There's a slowdown. We are seeing that in our business volumes. Although the number of queries has not changed, transactions are falling," says Kartik Varma, co-founder, PropTiger, a property brokerage with operations in many cities.

Interestingly, one reason for the slowdown in sales is not shortage of buyers but unaffordability of habitable units in most cities such as Delhi and Mumbai.

"Conservative markets such as Chennai and Kolkata do not have any marked supply overhang. It exists to varying degrees in some areas of Mumbai, Bangalore, Pune and Delhi-NCR," says Anuj Puri, chairman and country head, Jones Lang LaSalle India (JLL), a property consultancy.

The market has buyers for reasonably-priced houses that are habitable. Unfortunately, most houses in the affordable category are in far-flung locations that won't be livable for years. "The demand in these cities is healthy and intelligently-priced units will be absorbed. Such projects will put downward pressure on prices in these areas," says Puri of JLL.

28. DEMAND GAP

In spite of slowing demand, developers are unfazed and continue to launch project after project . There has been no decline in new launches in the first six months of 2013 compared with the year-ago period.

"The pace of launches is expected to remain stable during the second half of 2013 as well despite the rise in inventory," says Shveta Jain, Executive Director, Residential Services, Cushman & Wakefield India (C&W), a real estate advisory.

Developers are not oblivious to the high demand for affordable houses. Many are re-aligning offerings to attract those looking for a reasonable price tag.

"Due to subdued demand, developers are focusing on affordable and middle housing, the two segments where demand is the highest. More than 85% launches in the top eight cities, except Mumbai, in January-June were in these two segments," says Jain. "Most buyers are cautious and looking for properties in the range of Rs 40-80 lakh," she says.

Many developers also see high demand in the Rs 20-40 lakh bracket, primarily from end-users. "The segment gets government support in the form of 1% interest subvention for loans up to Rs 15 lakh for houses priced up to Rs 25 lakh plus an additional tax deduction of Rs 1 lakh for interest paid on new housing loans," says Sunil Mantri, chairman and managing director of Mumbai-based Mantri Realty and vice president of the National Real Estate Development Council.

End-users, too, are going for affordable houses in suburbs and peripheral areas that have good connectivity and social infrastructure. However, new launches have been much less than the demand. One reason for this is that this segment is dominated by local builders as most big players stay away due to low margins.

29. VALUE GROWTH

Going by established economic theories, falling sales and inventory pile-up should lower prices. However, prices in most markets are either rising or stagnant.

"Prices in the mid-segment have risen 13-20% year-on-year (June quarter). In some markets, the rise has been 20%," says Jain. "Prices in Ahmedabad and Hyderabad have been stable for a year. Prices in highend projects in Bengaluru and Hyderabad are up 10-12%," she says. While the price rise in most markets in the past one year has been close to inflation, most analysts expect better returns in the medium to long-term (three and more years) going by the market's past performance.

"There has been 20%-plus annual growth in the last eight years, except in 2008-09. Some markets also saw 30%-plus growth. Returns from real estate have been far more than from gold or stock markets," says Mudassir Zaidi, national director (residential), Knight Frank India, a real estate brokerage.

NOIDA & GREATER NOIDA

Expected Valuation Change



Quick Look: Delhi-NCR

Location	Monthly Rental (2BHK-1,000 sq. ft)	Capital Value (per sq. ft)
Golf Course Road	22,000-32,000	12,000-16,000
Sohna Road	15,000-20,000	5,800-7,500
Golf Course Extension	16,000-22,000	8,000-9,500
National Highway 8	14,000-19,000	4,500-6,500
Dwarka Expressway	—	5,500-7,500
Greater Noida Expressway	12,000-14,000	4,000-6,100
Noida	12,000-14,500	4,700-6,000
Indirapuram	10,000-12,000	4,200-5,000
National Highway 24	7,000-9,000	2,400-3,200

All figures in Rs as on end-July 2013

Fresh Supply



The two Delhi suburbs have seen the highest number of launches in the country in the last three years. Noida and Greater Noida are well-planned townships with good infrastructure built by the local authority, unlike Gurgaon, where infrastructure development has usually followed residential projects. Greater Noida, which has emerged as an affordable housing hub, already has arterial and service roads. Noida is connected to Delhi via a metro link. This line will connect Greater Noida as well. The two have also emerged as important office destinations, which should support the demand for residential units.

Over the next few months, analysts expect prices to remain more or less stable. "There is a slight downward pressure on capital values, which may increase if the current situation continues. But we do not expect a big correction. Only a few under-supplied but well established micro-markets in some cities may see slight capital appreciation in the coming months," says Jain.

Kapoor of Liases Foras differs. "Prices have started moderating. The 20-80 schemes are effectively a correction of 10-20%. Then, some developers are giving interest subvention and free kitchen fittings, besides offering to pay stamp duty," he says. In 20-80 payment plans, you pay a part of the price, say 20%, upfront, and the rest at possession.

"You can expect a correction of 10-15% over the next two-three years. It could also be a time correction," says Kapoor. "In the secondary market, you can already see properties being sold for 10-20% less than what the builder is charging," he says.

Time correction refers to no price change over a long period. Due to inflation, things become more affordable as time passes.

Besides PE funds, foreign direct investment, or FDI, in another source of funds. Real estate and infrastructure sectors have got the second-highest foreign funds since 2000, according to the Department of Industrial Policy & Promotion data. In 2012-13, they received \$1.3 billion FDI. This has, of course, fallen drastically since then. In April-May, the sectors got just \$86 million. Though FDI and PE funds are drivers of growth, they also have a negative aspect. "PE and FDI funds are pushing up prices due to expectation of high returns. That's why most projects that get

PE and FDI funds are in the high-end luxury segment, where margins are high," says Kapoor of Liases Foras.

Fund crunch is a threat to the sector, but it may bring new opportunities for buyers if developers start selling properties aggressively to generate cash. "Institutional and individual investors generally wait for such situations to acquire assets at a significant discount," says Puri.

30. REGULATORY IMPACT

The real state sector saw a lot of regulatory changes in 2012-13, most of them specific to states. The sector is also awaiting a new law that will introduce stringent norms for developers.

In Maharashtra, the government has included additional spaces used for areas such as balconies, flower beds, terraces and voids for calculation of FSI (floor space index, the ratio of built-up area to plot size). So, developers will now have lesser area for sale. To compensate for this, the state government has allowed developers to buy up to 35% more FSI for residential projects.

Besides PE funds, foreign direct investment, or FDI, in another source of funds. Real estate and infrastructure sectors have got the second-highest foreign funds since 2000, according to the Department of Industrial Policy & Promotion data. In 2012-13, they received \$1.3 billion FDI. This has, of course, fallen drastically since then. In April-May, the sectors got just \$86 million. Though FDI and PE funds are drivers of growth, they also have a negative aspect. "PE and FDI funds are pushing up prices due to expectation of high returns. That's why most projects that get PE and FDI funds are in the high-end luxury segment, where margins are high," says Kapoor of Liases Foras.

Fund crunch is a threat to the sector, but it may bring new opportunities for buyers if developers start selling properties aggressively to generate cash. "Institutional and individual investors generally wait for such situations to acquire assets at a significant discount," says Puri.

A lot of stock will be available at a discount. The cost of funds is creating a problem for investors," says Kapoor of Liases Foras. "You might get houses at good locations and lower valuations as investor sentiment is low," he says.

Unlike the market for new properties, the resale market has not seen a marked lull. "The resale property market is still strong," says Kapoor.

Many resale properties are cheaper than what developers are asking for. Investors who entered projects at early stages can earn decent profits even with a lower asking price. Buying houses in the resale market also eliminates the project execution risk. You can expect the resale market to offer better opportunities as properties get delivered and investors search for exits.

The long-term story for the housing market looks attractive as the country has a huge shortage. A total of 19 million urban households needed new houses in 2012, according to government estimates.

"We are an economy where home ownership is very, very low. In developed economies such as the US, home ownership is close to 65%, whereas in India, it is in single digits or very, very low double digits," says Varma. "Given the rate at which our economy is growing, people will want to live in their own homes. We have seen one wave of that over the last seven-eight years. We will continue to see this structural demand propelling the market," he adds. "Long-term gains in residential property have always been good. Although certain markets may see a slight softening

in prices in the coming months, the market offers scope for price flexibility and negotiation, making it investor-friendly," says Jain.

REFERENCES

- [1]. Albert Saiz. (2010). The Geographic Determinants of Housing Supply. *The Quarterly Journal of Economics*, MIT Press, Vol. 125(3), pp. 1253-1296.
- [2]. Kahn, Matthew E. (2011). Do liberal cities limit new housing development? Evidence from California. *Journal of Urban Economics*, Elsevier, Vol. 69(2), pp.223-228.
- [3]. Atif Mian and Amir Sufi. (2009). The Consequences of Mortgage Credit Expansion: Evidence from the U.S. Mortgage Default Crisis. *The Quarterly Journal of Economics*, MIT Press, Vol. 124(4), pp.1449-1496.
- [4]. Atif Mian, Amir Sufi and Francesco Trebbi. (2010). The Political Economy of the US Mortgage Default Crisis. *American Economic Review*, American Economic Association, Vol. 100(5), pp.1967-98.
- [5]. Atif Mian, Amir Sufi and Francesco Trebbi. (2008). The Political Economy of the U.S. Mortgage Default Crisis. NBER Working Papers 14468, National Bureau of Economic Research, Inc.
- [6]. Edward L. Glaeser and Joseph Gyourko. (2005). Urban Decline and Durable Housing. *Journal of Political Economy*, University of Chicago Press, Vol. 113(2), pp. 345-375.
- [7]. Edward L. Glaeser and Joseph Gyourko. (2001). Urban Decline and Durable Housing. NBER Working Papers 8598, National Bureau of Economic Research, Inc.
- [8]. Edward L. Glaeser and Joseph Gyourko. (2001). Urban Decline and Durable Housing. Harvard Institute of Economic Research Working Papers 1931, Harvard - Institute of Economic Research.
- [9]. Edward L. Glaeser and Joseph Gyourko. Urban Decline and Durable Housing. Zell/Lurie Center Working Papers 382, Wharton School Samuel Zell and Robert Lurie Real Estate Center, University of Pennsylvania.
- [10]. Nathaniel Baum-Snow. (2007). Did Highways Cause Suburbanization?. *The Quarterly Journal of Economics*, MIT Press, Vol. 122(2), pp.775-805.