



HOUSE HUNT 2013

## INFRA WATCH

# IS IT THE RIGHT INVESTMENT?

Are you being swayed by announcements of a major infrastructure upgrade in an area, to buy properties? Think twice and take a closer look at the property appreciation dynamics of an area before investing

**VIBHA SINGH**



estate values in areas like Chembur, Ghatkopar, Kurla and Andheri. Similar is the case of Kandivali, Malad and Navi Mumbai."

Since the proposal for the international airport in 2010, the property prices in and around Navi Mumbai skyrocketed from double to triple. The announcement had an impact on the prices in areas like Kalamboli, Kharghar, Panvel and Ulwe. However, with the delay in the project, a price correction was announced immediately by the developers. The biggest problem is that even though a project is announced, there's no guarantee that it will be implemented. A change in government or its policies could result in an unprecedented delay or complete stalling of the project. The project may not start on time, or the project may get cancelled before it even gets under way. That's why it pays to stay well-informed, especially if politics are involved.

Aparna Diwakar, medical practitioner, had bought a two-BHK flat two and half years ago, at a cost of Rs 3,400 per sq ft at Ulwe. "Since then, there has been no significant appreciation in the property rates. Even after three years of investment, the properties were sold at the rate of Rs 3,000 to Rs 3,500 per sq ft. I want to sell my property now. People are quoting Rs 3,200 per sq ft against my actual purchase of Rs 3,400 per sq ft. I am really disappointed and frustrated," informs Diwakar. Like her, many others are finding it difficult to sell the houses they bought in these areas.

Mahesh Hemrajani, proprietor, Hemrajani Construction, explains, "Ulwe and other locations in Navi Mumbai, have great potential. However, everything is going against it, such as the delay in the construction of the airport, no development on the proposed SEZ and problems with the Sewri-Nhava Sheva sea link."

While infrastructure projects may lead to a rise in demand for low-to-mid-income housing, it could negatively impact the demand for high-end residential

**D**oes the announcement of transport infrastructure projects really boost property prices and investor interest in the area? Sometimes it does and sometimes it does not. It depends upon a number of factors, according to property consultants. E.g. with the announcement of the monorail, the property prices had increased by 15-20 per cent in Chembur.

It is an established fact that scheduled infrastructure projects tend to increase the value of properties in the adjoining areas. This occurs because the infrastructure project becomes a part of the USP for the

developers or property owners. There have been instances where property prices have increased by 50-70 per cent, since the announcement of an infrastructure initiative, until the operational phase.

Any infrastructure proposal, results in investor interest in the market and then, it is a chicken and egg situation where each drives the other. Pratik Patel, director, Rajesh Lifespaces, says, "Whenever any infrastructure project is launched, it impacts the property prices in the area as more and more people get interested in the area. Expectedly, the eastern freeways, Santacruz-Chembur Link Road (SCLR), monorail project, have already driven up the real




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Tennis Court,  
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property. So, in case of prospective infrastructure projects like an airport or a Metro corridor, the profitability of the property can take a beating due to the increased noise and crowding. Also, the cost of properties in areas surrounding major infrastructure projects, is expected to rise if the Mumbai Metropolitan Region Development Authority (MMRDA) proposal is implemented. The MMRDA has sent a proposal to the state government to charge a development fee on all property transactions, in areas surrounding major projects like the Chembur-Wadala-Jacob Circle monorail, the Metro corridors and the Sewri-Nhava Sheva Mumbai Trans-Harbour Link. "The development charge would be a one-time payment for the buyer, so it should not be a big burden. We haven't decided the rate but it will be marginal," says, additional metropolitan commissioner SVR Srinivas.

So, the buyer should check all these factors before planning to buy properties near upcoming infrastructure projects. Saugata Maitra, national director, Government and Infrastructure Practice, Jones Lang LaSalle India, advises that "One should check the property appreciation dynamics involved before investing in a certain property, on the heels of a major infrastructure upgrade or project implementation announcement. A proper assessment of the demand drivers around a particular infrastructure project is of the essence to establish the genuine investment potential in the vicinity, on a case-to-case basis. Generally, the 'real estate zone' is already packaged within large infrastructure projects to increase the viability. Investing in such zones, maybe as a co-developer, is a good idea." 

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