



QUICK BYTES

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■ THE SCRAPPING OF THE URBAN LAND CEILING ACT WAS THE GAME-CHANGER BUT IT IS YET TO SEE ITS TRUE IMPLEMENTATION

More than 60 years after India became a Republic, the country has seen phenomenal changes. It has gained recognition globally as a major player in the world economy. This is also reflected in the journey of the Indian real estate sector, which has emerged as one of the significant contributors to the country's GDP.

The country has witnessed a tremendous housing boom, specifically in the last decade. Newer locations have come to the fore expanding the boundaries further. While the metropolitan cities continue to remain in demand, even Tier II and Tier III cities are fast gaining momentum on account of their commercial and strategic viability. On the policy level, liberalization indeed threw open the floodgates of the country's development.

Surabhi Arora, MRICS, Associate Director - Research, Colliers International says, "The sector started flourishing with India embarking on broad-based liberalization in post 1990's era when various multinational corporates started seeking permission to commence operations in India. Mumbai, being the financial capital of India, was the first city to witness the influx of financial and services multinational companies. By 1997, the real estate prices increased to the point where the companies started looking for cheaper, cost-effective locations and Indian real estate witnessed

emergence of new alternative/peripheral business districts in all the major cities in India."

Over the years, the landscape of Indian cities has undergone a great transformation. While the key cities have grown beyond their current potential and are expanding vertically, areas which were earlier categorised as peripheral cities have today become prime areas holding tremendous growth potential. A Kalpataru spokesperson says, "Areas like Thane, New Mumbai, Panvel around Mumbai and areas like Gurgaon, Noida around New Delhi have become centres of trade with excellent infrastructure support like state-of-the-art commercial, retail and integrated township projects offering world-class lifestyle amenities. Also, many other areas within the heart of the cities, which were earlier categorised as industrial or textile mills, have also been opened up for development which is also leading to high-end luxury projects being launched in these areas."

"The housing sector has attracted a lot of demand and appreciation in the last few decades. Highlighting a few important events, Anuj Puri, Chairman and Country Head, Jones Lang LaSalle India says, "The roots of the high appreciation rates on India's property market witnessed during the boom period lie in the reduction of interest rates that the NDA Government instituted after 2001. The very amenable bor-

Paradigm shift

The Indian real estate sector has grown exponentially in the last six decades, says SHILPA SACHDEV

rowing rates encouraged individuals to avail of home loans to buy residences, where actual property purchase had only been an option for the considerably rich before that. This resulted in a huge demand for quality real estate all over the country post 2003. After March 2005, Indian real estate rates displayed a seemingly unstoppable upward curve."

The scrapping of the Urban Land Ceiling Act was the game-changer but it is yet to see its true implementation. According to Mayur Shah, CMD, Marathon Realty, the housing requirement in Mumbai has never been an issue post independence. Smaller housing societies would come together and develop residential buildings until 1976 when the Urban Land Ceiling Act came into force. Shah shares, "I still remember when my dad constructed the first building in Mulund in the year 1972, rates were really reasonable. He was selling a flat at the rate of Rs 51 psf in Mulund. So there was never a housing problem but the introduction of the ULC Act strangled the real estate development in the city. Land got locked but

urbanisation continued its pace leading to a massive housing shortage. As a result, the prices shot through the roof. This continued till the year 2008 when the ULC Act was scrapped. But then the backlog was too much to phase out. Today, we have a 1:20 ratio of short-fall where if 20 units are required, only one is built. Infrastructure is still a big challenge. What we need is a clear, transparent, speedy and sustainable development."

With time, several changes have been introduced to fast track the sector's growth. Manju Yagnik, Vice-Chairperson, Nahar Group says, "Various reforms by the government such as repealing of Urban Land Ceiling Act, altering FSI rules were the key drivers for the real estate development along with the massive infrastructure development. One must also credit the change that was witnessed within the real estate sector."

For instance, this sector, which was once dominated by old contractors, has welcomed the arrival of a new crop of developers, who have introduced a professional approach towards

property development and international standards of construction. The country has witnessed revolutionary changes in the cities such as Mumbai, Bangalore, Hyderabad and Pune."

Newer technology and a competitive environment have led to the development of a host of new amenities, including township living where everything is available at the doorstep. This has brought a lifestyle shift indeed. Yagnik adds, "World-class health centers, schools, shopping malls, and amenities such as amphitheatres, clubhouses and gyms in the townships that were unheard of until some time ago are now being offered by the developers. The competition

within the sector has benefited property buyers as many developers today are actively engaging the services of international designers and architects for their projects."

While the sector has come a long way, there is still a room for reforms that will unlock the potential of the industry. Shalish Purnik, MD, Purnik Builders says, "The country has seen a growth rate of 8-9% in the last decade with a 25-30% increase in urbanisation. Allied sectors like materials and infrastructure are also developing as a result. If the infrastructure sector can be given industry status why not real estate? This will facilitate cheaper credit to

the industry. ECBs are allowed but they are restricted to a limit. Enough finance is still not available to the sector. The government needs to act as a catalyst and not an impediment.

Single-window clearance is the need of the hour; timelines need to be reframed.

With different municipal corporations getting established, Mumbai will become one big metropolis in the time to come. We need better clarity and defined policies to sustain the growth coming our way."

As the country's skyline continues to change and redefine itself, there are miles to go. Starting with an industry status for the sector, the clarion call demands for simplification of procedures and systems to infuse the much-needed transparency and boost consumer confidence. Better regulation, best international practices and a professional approach will pave the way forward.