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# RESIDENTIAL SEGMENT SPURS REALTY SECTOR

Pics: Deepak Sharma

An estimated shortage of nearly 2.7 crore housing units in the Eleventh Plan is fuelling an expansion of realty sector with the residential segment leading the charge. A K TIWARY writes

**QUICK BITES**

- INITIALLY, ASSURED RETURN SCHEMES WERE OFFERED BY DEVELOPERS FOR COMMERCIAL PROPERTIES ONLY, BUT LATELY IT IS BEING OFFERED FOR RESIDENTIAL PROPERTIES AS WELL
- MOSTLY, ASSURED RETURN IS OFFERED BY A DEVELOPER WHEN HE CHOOSES TO RAISE MONEY DIRECTLY FROM BUYERS FOR BUILDING A PROPOSED PROJECT. IT IS BETTER FOR THE DEVELOPER TO ARRANGE MONEY FROM THE INVESTORS

The residential sector, which accounts for 75-80% of the turnover of the entire real estate sector, has been on a high growth path. In the last decade, the entire country witnessed a tremendous growth in residential real estate sector. And the growth has not just been confined Tier I cities, but has also shifted to Tier II and Tier III cities, which is a good sign of an overall balanced growth.

According to a report, there is still a shortage of 24.7 million houses in the country. The low-income group (LIG) and economically weaker section (EWS) segments account for a majority of this shortage. However, at present, private developers are focusing largely on the middle and upper segments of the market. Rising disposable incomes and the trend towards nuclear families are some of the factors driving the demand for residential real estate today.

During the last one year, rising interest rates had a moderating effect on the price spiral, which between 2003 and 2006, has been rising at the rate of 30-50% annually, in the major cities. Another impact of spiralling interest rates was that the market became more end user driven, as speculators preferred to exit or stay out of the market.

In the future, rise in prices is likely to be moderate as more supply, which is currently under construction, enters the market. In fact, in the luxury segment, there is already a talk of oversupply in some pockets of the country, like in the NCR. Another development during the last one-two years has been the shift in interest, both of the developer and investor, towards Tier II and Tier III cities.

Sanjiv Srivastava, the managing director of Assotech Ltd, says: "There are several reasons for the migration of interest to Tier II & III cities. First, land values have become exorbitant in Tier I cities; besides, availability of land, especially for developing large projects, has become an issue. Second, a large number of IT-ITeS companies are moving to Tier II and Tier III cities in search of cheaper real estate and manpower. This is expected to augment demand for residential real estate in places like Chandigarh, Jaipur, Gwalior, Kochi, Patna, Bhubaneswar, Indore, Raipur, Jodhpur, Nagpur, Meerut, Moradabad, among others."

## Development of integrated townships

Another major development within the residential real estate segment is the development of integrated townships. The demand for quality lifestyle and walk-to-work concept are some of the drivers of demand for integrated townships that offer commercial, retail, residential, and leisure facilities within a specific area.

Nearly 400 townships are expected to be developed over the next five years in around 30-35 major cities in the country. Hiranandani Gardens (Mumbai), JP Nagar (by Keppel Land Development in Bangalore), DLF's 9,178-acre township at Bidadi near Bangalore, Magarpatta City near Pune and the recent upsurge in the number of projects on Noida Expressway and in Noida Extension are some of the examples of integrated townships.

So far, the situation in both the office and the residential market has been that whatever is built gets sold or rented. In the future, as supply increases, developers will have to be more careful about factors like location and only develop their products for targeted segments. In this supply-rich environment, an accurate estimate of demand will become very important. No doubt, the demand too, is also on a fast growth rate.

The real estate sector in India is of great importance. According to a report of the Technical Group on Estimation of Housing Shortage, an estimated shortage of 26.53 million houses during the Eleventh Five Year Plan (2007-12) provides a big investment opportunity. And having a house has always been a necessity for everyone. This opportunity has been clearly seen by many budding entrepreneurs, which has been visible in the sudden upsurge in the number of new real estate companies coming up. This no doubt increases the competition among all the real estate players which would end up benefiting buyers.

> *The demand for residential housing will grow in the future. With the increase in disposable income, having a house of one's own has become a top priority for everyone*

## Growth in the NCR

Talking about Delhi and the NCR, a lot of real estate companies have launched, delivered or are coming up with various residential projects to fulfil the demand for residential properties. Realty majors like Amrapali Group, Antriksh, Gaursons, Panchsheel, Mahagun, Supertech, BPTP, Paramount, Landcraft, Oris Group, Vasundhara Group, Logix, Wave City, Prateek Group, Logix, Paras Buildtech, Assotech Realty, JM Housing Limited, Purvanchal Group, Gulshan Homz, Rudra Buildwell, and AVJ Group have projects in areas like Noida-Greater Noida, Gurgaon, Faridabad, Ghaziabad and Sonipat.

These areas are expected to have a huge demand for residential properties. In recent times, these areas have developed fast and been the answer to the ever growing demand for residential dwellings. Other areas like Gurgaon, Faridabad, Meerut, and Manesar have also seen demand for residential housing going up with residential projects available in different categories, from affordable to luxurious housing. Other realty majors like DLF, Ansals, Anantraj Industries Limited, Mapsko Group, Ferrous Infrastructure, Unitech, Eros Group and many more have also come up with their residential projects in different location of Delhi and the NCR.

## Rising demand

Prashant Tiwari, the managing director of Prateek Group, says: "The demand for residential housing will grow in the future. With the increase in disposable income, having a house of one's own has become a top priority for everyone. In recent times, a lot of young professionals have not only opted to buy a house to live in but also as an instrument of investment. Customer's tastes have also evolved in recent times with people opting for better living and a luxurious lifestyle."

"The NCR has seen a remarkable growth in demand for residential dwellings. Having a house of one's own has always been the priority for every individual and the recent supply in residential housing in the NCR has helped them fulfil their long-cherished dream. The demand for residential housing is bound to grow manifold," says Rupesh Gupta, the director of JM Housing.

Ram Gopal Gupta, former town planner with the DDA, says: "The demand in residential housing mainly depends on the budget of each individual and the supply, which caters to this need and budget. New Delhi, with its high property prices, caters to a different category of consumers. South Delhi has a mix of kothis and DDA flats in most areas. Though the prices of these dwellings are quite high in comparison to the projects in the NCR, demand is still high as there are people who have a preference for it.

East Delhi is also marked by the same category of houses, kothis and DDA societies, and the same goes for other parts of Delhi. The property prices in Delhi have rocketed in last one decade making it completely out of reach for a major section of the population.

Thus, this demand of people who cannot afford a house in Delhi has now shifted to the different regions of the NCR.