

# PROPERTY MAIL

## MORE LANDS NEEDED

**To fast track the pace of affordable housing development, experts believe that the skyrocketing inflation of land prices should be introspected and government should regularly release land parcels for the segment**

**L**and is usually the largest component of project cost and it is an expensive resource. Land is one of the biggest concerns for any form of infrastructural development and with land becoming scarcer day by day, prices are bound to go up. The inflation of land prices should definitely be introspected in order to achieve the ambitious 'housing for all by 2022' vision. Fortunately, the government has already kick-started work on the same. It has provided measures that would incentivise developers to build affordable housing including giving permission to complete such projects in five years instead of the existing requirement of three years, to qualify for tax exemption. Developers are also allowed to keep their unsold inventory without attracting any income tax

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liability for upto one year after receiving the completion certificate.

In November 2016, the original Benami Transactions Act was amended to make it more stringent and relevant for the current market scenario. "Under the new Benami Transactions (Prohibition) Amendment Act 2016, a transaction is named 'benami' if the property is held by one person, but has been provided or paid for by another

person," informs Jaffer Ali, founder & CEO, PropUrban, emphasising, "one of the most noteworthy points in the amended act was that the act prohibits recovery of the property held benami from benamidar by the real owner. Also, benami properties are liable for confiscation by the government without any compensation."

Now, since time immemorial, real estate sector across the length and breadth of the country has been governed by cash transactions. In fact, buying a property has been the safest bet to park one's black money. But with the new act in place, such transactions will come under strict scrutiny of the government. Firstly, with the government cracking down on benami transactions, it is anticipated that several land parcels will come into the kitty of the central government, ultimately aiding them to use it in fast-tracking their 'housing for all' vision. More and more land parcels can be released for building affordable housing for the poor. "One of the major positives of this move will be that most land dealings will begin to have clear titles. This will also pave way for developers to carry out more joint developments with less litigation. Moreover, in cities like Delhi-NCR where land forms the major expense of developers, it will be interesting to see how they will now transform and opt more for JDs which will ultimately be less expensive," further updates Ali.

The Benami Transaction Act coupled with the demonetisation drive may also have a significant impact on the property prices. Experts believe that since benami properties were one of the easiest ways to get rid of one's unaccounted wealth, the move will now halt this evil practice by many. Thus, it will keep a check on the property prices without making it very speculative.

And moreover, the real estate sector has been reeling under a prolonged slowdown over the past four years. "The sector, which generates six per cent of India's GDP is expecting a rise in demand due to key reforms such as GST implementation, digitisation of payments and the RERA that are likely to see significant consumer trust. Hence my say over this will be to co-operate with the government as they have recognised the value of real estate industry and its contribution towards the economy as it employs over five crore Indians," states Aunirban Saha, director, Saha Groupe.

Experts are of the view that the need of the hour is to work towards strengthening the supply of affordable housing. They think that with 'infrastructure status' granted to the affordable housing, developers will now have access to funds at relatively cheaper rate. Thus, the benefits of this can be percolated down to the end-users. "There is every indication that in the coming months there will



be more activity in the affordable segment with the positive measures being adopted by the government for real estate developers engaged in affordable segment. But all this will not make the desired difference till land is made available at realistic prices," points out Geetanjali Anand, director, Andy Home.

Also says Ravi Sodhi, director communications, Wave Group, "Releasing more land parcels for development, devising a mechanism to stem land prices and working towards solutions of systematic distribution of land to developers will be steps towards maintaining affordability and fulfilling 'housing for all' vision, especially for mega townships where economies of scale come into play thereby enabling the construction of more affordable homes." For this, Parveen Jain, president NAREDCO & CMD Tulip Infratech, suggests, "PPP (Public Private Partner-

ship) model should be followed which shall prove to be very suitable to make the things feasible, pragmatic and easier."

Santhosh Kumar, CEO - operations & international director, JLL India, makes a valid concern that the kind of housing supply that the government is targeting seems out of the question if appropriate lands are not made available. To gauge the actual land requirements to make the 'housing for all' by 2022 feasible, here is a quick back-of-envelope calculation:

- Houses to be built: 20,000,000
- Area assumed per house: 500 sq.ft.
- Total area to be constructed = 20,000,000 X 500: 10,000,000,000 sq.ft.
- Total land requirement (assuming FSI of 4): 10,000,000,000/4 = 2,500,000,000 sq.ft. = 57,392 acres = 232.25 sq.km., which is around 50 per cent of Mumbai's area (BMC limits)

Sachin Sandhir, global managing director - emerging business, RICS, updates, "The Minister for Urban Development, M Venkaiah Naidu recently said that we should take a look at the skyrocketing inflation of land prices, which has made it difficult to make affordable homes. There are a lot of land parcels lying undeveloped owned by government bodies such as the Indian Railways, Ministry of Public Enterprises etc., which can be used for affordable housing." If the government starts releasing land regularly it will reduce cost of land which will make affordable housing more financially viable. Also as Deepak Kapoor, president, CREDAI Western UP, identifies, that high cost of land renders the size of affordable houses small. If we get land at good prices that bigger affordable units can be developed which will get better acceptance in the market.

Realtors feel that builders have to first ensure the viability of the project and make certain that the land on which it is coming up is not expensive. "If built far away from the Central Business District (CBD), such units will remain unsold and become virtual ghost units. About 11 lakh units currently remain unsold across the country. However, the main reason remains unavailability of land at good location and at an affordable price, since the government owns majority of the land. They should consider such land for social housing and developers can be partnered with to provide quality housing at reasonable price," puts forward Atul Banshal, president, finance and accounts, M3M Group.

