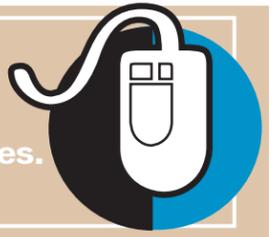


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# Decoding the impact of the land pooling policy in Delhi

**REALITY BITES** Experts look at the impact of the policy on property prices, and also its impact on the urban landscape

Ashwini Kumar Sharma  
feedback@hindustantimes.com

**NEW DELHI:** An update in the Land Pooling Policy (LPP) and the notification allows 89 villages in Delhi to become urban areas. This is expected to increase the supply of residential space. We ask experts about the impact this may have on property prices.

"Land pooling is the need of the hour for Delhi. The city's urban landscape was not increasing proportionately to accommodate its ever-increasing population. To address the woes of urban housing, more area is required for urban planning and usage. Delhi government's recent declaration will help in taking the Delhi Development Authority's (DDA) urban LPP forward. While acquiring land for urban development has become a contentious issue with the implementation of the Land Acquisition, Rehabilitation and Resettlement Act, the state government's nod is a win-win situation for landowners and the authority. Experts believe that about 40,000 acres will be opened up for planned development, making way for construction of nearly 2.5 million housing units in Delhi," said Sudhir Pai, chief executive officer, Magicbricks.

"About 40,000 acres is the total size of Noida; so one can imagine the number of residential units this much area would accommodate. This would also lead to correction in realty prices in the NCR. The implementation of the policy is significant as DDA's Master Plan Delhi 2021 proposes the construction of 2.5 million housing units by 2021, for which 10,000 hectares of land is required. However, converting village areas into planned urban spaces is a huge task for the authorities. The key to success will be good coordination between DDA, land owners and private developers."

"The rebooted LPP can potentially provide a solution to the problems the nodal body faces with regards to acquiring prime land in the city. The biggest issues



Affordable housing will get a fillip in the coming decade and will rationalise prices of real estate as well as rentals, experts said

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have been fragmented land holdings and the steep compensation to original landowners as a result of increased land valuations. It can boost the availability of residential projects in the city, where a severe housing shortage exists. The policy can result in greater private participation in the creation of housing in the city," added Ramesh Nair, chief executive officer & country head, JLL India. "It can potentially unlock land across Delhi to the tune of about 20,000-25,000 hectares. The deployment can also help in keeping residential prices under control. We are looking at a possible

revamp of the dynamics governing NCR's residential market, with an amplification of affordable housing supply. Pertinently, it should be kept in mind that while RERA (Real Estate Regulation and Development) Act, 2016 has been notified for NCT of Delhi, homebuyers need to be aware that residential projects are not cleared for launch unless the developer has obtained all approvals and registered the project under RERA. LPP involves land being surrendered and new land allotments being made, and developers can only apply for project approvals after

this. Therefore, the city's homebuyers should be circumspect about signing up for a project by the private developers."

According to K. Ravichandran, senior vice-president and group head, corporate ratings, ICRA: "The operationalisation of Delhi's LPP will result in unlocking of around 55,000 hectares of land. The decision augurs well for people looking for housing. Land pooling offers an opportunity to the landowners to deposit their smaller chunks of land in a central pool to make a bigger and more integrated land parcel. With this, affordable housing will

get a fillip in the coming decade and will rationalise prices of real estate as well as rentals. With an estimated 59,835-73,750 hectares in built-up area to be developed, the land pooling will result in increased housing stock. The policy should result in supply of around 9 million dwellings, including for economically weaker sections. NCR's real estate market is replete with dissatisfied landowners. Through this policy, the approach being adopted is of participative development. A share of the pooled land would be given back to the original landowners, who will

develop it for various designated urban uses. Thus the major road-block in development of land via land acquisition—fair compensation—is likely to be equitably addressed as people partake in the development process. The policy is likely to have a positive impact in the form of increase in housing stock, participative development of landowners, rationalization in prices and rentals and overall pickup in investment and economic activity in the sector."

"Delhi NCR is today a sprawling city with vast swathes of land not urbanised. Land pooling is therefore sound urban planning that should lead to a dense core and a more compact region. It will eventually lead to creation of housing stock (including affordable housing) to accommodate city's increasing population. It will also create supply of millions of square feet of commercial space. However it is too early to analyse its impact on other parts of the NCR. Also, being dispersed across the city, each zone will have its own dynamics," said Amit Oberoi, national director, knowledge systems, Colliers International India.

"The magnitude of this proposed development is mostly not appreciated. The area under this development will be larger than the three new cities developed post-independence, i.e. Gandhinagar, Chandigarh and Bhubaneswar."

"It is therefore critical to have a robust plan for creating a holistic master plan for a modern megacity. Many of the tasks that DDA needs to undertake are sequential in nature, from collection of land from promoters, to undertaking the legal due diligence, survey of the land, identifying pockets not aggregated, master planning the area, seeking opinion from all stakeholders on the plan, redistributing the development to the promoters and laying out the infrastructure. DDA will need to adequately staff itself and we recommend, it act as a planning and oversight agency for smooth implementation.

## EXPERT SPEAK

# Go for investment in commercial property

Niti Saxena  
feedback@hindustantimes.com

Please share your view points on investment in Commercial property viz a viz in residential property in India

Buying an office or retail space is a huge investment, which is why commercial real estate has been traditionally seen as an asset class that only institutional investors or heavy-weight HNIs could invest in. That, however, is changing. Many retail investors are now getting into the office real estate game.

Investing in commercial real estate requires forethought, research and planning:

- Investors need to establish the soundness of the location and its demand/supply dynamics.
- Ensure that the economy, job market, future infrastructure development and population growth in the market is healthy
- Check the developer credentials
- Check the access to public transport
- Check the quality of property management in the project

When investing in a retail store, one should consider the frontage, foot-fall and the dynamics of the adjoining catchment. Entrepreneurs who wish to buy commercial real estate for self-use should ensure that the amenities in the project that match their business needs. If an investor is looking at an income producing office asset, he should look at: The break-up of cash flows, The vacancy factor, Expenses such as maintenance, property tax and building insurance, Lease term, lock-in period and expiry dates, Long term capital appreciation potential, Refurbishment, refinancing and repositioning potential.

In India, the yields in commercial real estate are one of the highest in the world. While yields from residential proper-

ty are between 3-4 per cent, in case of commercial properties it is around 8 per cent, and can even go up to as much as 10 per cent in some areas.

Yields in commercial real estate are always better than residential real estate. If you are looking for decent rental income to support your passive income and avail wealth tax exemption, then commercial real estate fits the bill. However, capital appreciation in the value of real estate is still much higher in residential real estate owing to pent up demand.

Investment in commercial property invariably involves a much higher financial outlay than residential, and one also needs to choose the location far more carefully. While residential property tends to find buyers or tenants in most locations that offer sufficient transport and social infrastructure, commercial real estate investment must be finely focused on high-demand locations.

You do not only make a profit on the sale of appreciated commercial property – the rental cash flows of a well-located office or shop space are considerable. Unlike in residential property, the income that can be generated from commercial property is what determines its value.

In other words, the capitalization rate is actually the measure of the demand for the property. For those who do their homework well, investing in commercial property is a high-adrenaline and high-returns game that residential real estate investment cannot hold a candle to.



Niti Saxena, president, sales and marketing, Appu Ghar

# Homebuyers and realtors are going rah-rah over RERA

Rajeeb Dash  
feedback@hindustantimes.com

Buying a home is one of the most important decisions in the life of an Indian. It is a welcome development that the real estate sector, which had been largely unregulated up to this point, should have come under the purview of the Real Estate (Regulation and Development) Act, or RERA which came into full effect from May 1 2017. It is significant for three reasons primarily.

## SAFEGUARDING BUYER INTERESTS

By mandating developers to constantly furnish information about ongoing projects, RERA will go a long way towards avoiding delays in delivery. Not only is this a huge relief for consumers, they will finally have someone to turn to in case of any structural defect in workmanship, or issues with quality or provision of services and other obligations within the first five years of the agreement.

The responsibility of rectifying such defects rests on the developer, and is to be fulfilled free of cost within 30 days of the consumer bringing it to their notice. As per the Act, every State and Union Territory will have its own Regulatory Authority, and will frame regulations and rules according to its provisions. This authority will notify the various regulations, covering both residential and commercial projects, within the said State or Union Territory. It will also allow for the speedy

redressal of disputes between buyers and developers.

## MAKING REALTORS ACCOUNTABLE

All projects that have not yet received completion certificates and are yet to be launched, will come under RERA. As developers will not be able to sell or book apartments without a commencement certificate from the concerned authorities, unscrupulous developers will be weeded out, allowing the compliant ones to flourish. Moreover, developers will have to maintain a separate account for every project undertaken, wherein 70% of the money received from the buyers shall be deposited, and used only to cover the cost of construction and the land cost. Developers will also be required to make public the originally sanctioned plans.

## REVIVING INVESTMENTS IN REAL ESTATE

Since the Act empowers home buyers with new levels of protection and information, and a solid institution for redressal of issues, one can hope that it will increase their confidence of investing in a home, which in turn should increase the demand for housing across the price spectrum. This will also bring cheer to banks and lending institutions, and encourage them to come up with more number of attractive loan offers. The upbeat sentiment should also reflect in a windfall for brokers, courtesy more interested buyers.

Rajeeb Dash is head corporate marketing at Tata Housing Development Company Limited

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