

# Influence of Real Estate Sector Market in Delhi/NCR

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## Abstract

The High Court ordered the Uttar Pradesh government to return to farmers land acquired in the three villages of GautamBuddh Nagar district and pay higher compensation, which could be up to 64.70 per cent of the compensation paid earlier, to affected farmers of other villages. Existing buyers would be kept immune from cost escalation. But, there will be some price rise for future projects on account of rise in costs of land and construction materials. The delay of about three months in construction works due to the ongoing legal hurdles will also leave an impact on the pricing of the future projects. The prices for future projects could rise by 10-15 per cent. The higher compensation ordered by the court would be borne by the Greater Noida Industrial Development Authority (GNIDA). It will be unfair if the extra compensation to farmers is passed on to builders. The real issue is not the price paid for the land acquired. Even if farmers get Rs1 crore per sqmetre they will be resentful if they find five years after they sold that the price of the same land has escalated five times. Yet, escalation is unavoidable as land prices in India tend to be depressed. For agricultural land to be used for non-agricultural purposes such as manufacturing or real estate development, a 'non-agricultural use clearance' from the local authority or state government is needed. It is only after such conversion that the land's price begins to rise.

**Keywords:** *Housing Market Growth, Sprawl, Real Estate Investment, Appraisal, Brokerages, Net Leasing, Property Management, Real Estate Marketing, Relocation Services, Corporate Real Estate.*

## 1. INTRODUCTION

The National Capital Region (NCR) in India is a name for the conurbation or metropolitan area which encompasses the entire National Capital Territory of Delhi as well as urban areas ringing it in neighbouring states of Haryana, Uttarakhand, Uttar Pradesh and Rajasthan. With a total area of about 33,578 km<sup>2</sup> (12,965 sq mi), it is the world's second largest urban agglomeration by population and the largest by area. The concept of National Capital Region was mooted in first master plan of Delhi, notified in 1962. The aim of the concept was to develop a metropolitan area around Delhi, so as to divert increasing pressure of population from the region. The concept was essential in order to protect Delhi's infrastructure from excessive pressure and a planned development of the region.

### Evolution of concept of National Capital Region

Delhi has been experiencing phenomenal growth of population since 1951 recording decennial growth rate of 52.44%, 52.91%, 52.98%, 51.45% and 47.03% during 1951-61, 1961-71, 1971-81 and 1991-01 decades respectively. One of the main causes for this spurt in the growth of population is migration into the city not only from the adjacent states but also from others such as Bihar. The growth of population of Delhi has contributed to increasing congestion and shortages of civic amenities. It has been felt that as Delhi grows, its problems of land, housing, transportation and management of essential infrastructure like water supply and sewerage would become more acute. It was with this concern that the need for planning Delhi in the regional context was felt:

- 1956 Interim General Plan suggested that 'serious consideration should be given for a planned decentralization to outer areas & even outside the Delhi region'.

- 1961 High Powered Board set up under Union Minister for Home Affairs
- 1962 Master Plan for Delhi emphasized Planning of Delhi in regional context
- 1973 High Powered Board reconstituted under Union Minister for Works & Housing
- 1985 Enactment of the National Capital Region Planning Board Act by the Union Parliament, with the concurrence of the participating States of Haryana, Rajasthan and Uttar Pradesh, NCR Planning Board was constituted. However, for Theoretical basis Delhi NCR Means and only Means: New Delhi, Noida, Greater Noida, Ghaziabad, Sahibabad, Faridabad, Ballabhgarh, Gurgaon and Manesar.

## 2. REAL ESTATE DEVELOPMENT

The development of the region has given strong impetus to the development of real estate in this entire region. Leading developers like Tata Housing has come up luxury properties such as Raisina Residency and Primanti in Gurgaon. In other areas as well many leading real estate brands have strong presence and are constructing properties in large scale.

- Satellite town
- Delhi
- New Delhi
- Gurgaon
- Noida
- Ghaziabad
- Faridabad
- Bulandshahr
- Meerut
- Baghpat
- Hapur

The uncertainty surrounding the fate of the Noida Extension housing projects seems to be almost over. The NCR Planning Board (NCRPB) has suggested certain changes to be incorporated in the master plan before it could be approved by the board's technical committee, which, the sources said, could be done by this April. Recently, Union urban development minister Kamal Nath said the state government would no longer need the board's approval on the changes made in the Greater Noida Master Plan 2021, which is prerequisite for any work on the development projects in the area to resume. Instead, the government and the Greater Noida Authority will have to incorporate suggestions made by the board, including the provision to increase the green belt and protect the Dadri wetland. The authority then has to submit the master plan to the technical committee of the board for final approval. Sources said the issue was likely to be resolved by end of October, 2012. The UP government, too, recently declared interest of investors would be protected. These decisions were taken at the meeting held in the capital attended by UP chief minister Akhilesh Yadav's trusted aide and minister of state (CM protocol), Abhishek Mishra. He told TOI, We want to work with the Centre. The government has come to power recently. We will soon consider the suggestions made by the board and will get back to the technical committee. Mishra said interests of the people who had invested their lifetime savings would be safeguarded. People should have no fear of Noida losing its importance under the new regime, he said. NCRPB member-secretary Naini Jayseelan said they would not take long to clear the plan once the state had incorporated the changes. The Noida Extension issue can easily be sorted out, she said. Mishra attending the meeting has also sent some feelers that the state is serious about reviving the plan in which around 50,000 home buyers have already invested. This is perhaps the first time in the recent years

when a UP minister participated in an NCRPB meeting. These developments have come as a huge relief to the Greater Noida Authority officials. It is a positive step towards resolving the Noida Extension chaos and we are hopeful that the whole matter will be resolved by April, said authority CEO Rama Raman. Sources said changes proposed by the board would also be incorporated in the sub-regional plan of UP.

### 3. REAL ESTATE IN NCR

Plots in NCR are finding buyers in not just the individual investors but also the leading builders in India. The entire real estate in NCR including cities like Delhi, Gurgaon, Noida, Ghaziabad, Faridabad and other adjoining areas are commanding sky high prices for these Plots in NCR that have potential to be developed into gold mines fetching astonishing capital returns. Properties in NCR in all the residential housing and commercial retail and corporate offices sectors are very highly in demand. Land/Plots in Delhi NCR lying vacant are being eyed by all leading construction companies in India including the likes of: DLF, Unitech, Omaxe, Parsvnath, Tata Housing, Ansals etc. These builders have their respective housing projects including group housing high raises, mini-cities and integrated townships in the pipeline. Plots in Delhi are definitely the highest gainers in residential segments then comes the plots in Gurgaon that find takers in the various MNCs and Corporate Houses looking for office space. Besides Gurgaon, Noida is another upcoming corporate zone that serves as an alternate destination for any MNC establishing in India and looking for a base in the National Capital Region. The various housing authorities in NCR are also announcing various projects sites and land plots for auctions to the private developers. The housing authorities in NCR that declare auction of Real estate Plots include:

- Delhi Development Authority – DDA
  - Haryana Urban Development Authority – HUDA
  - Ghaziabad Development Authority - GDA
  - Noida Development Authority - NDA
- If we wish to buy plots in NCR, we can contact the property dealers in various cities of NCR as they would be able to guide us about the current prices for house plots in NCR as well as land Plots in NCR. We have referred the data made available by [Indiahousing.com](http://Indiahousing.com). It has compiled a list of leading property dealers and real estate agents in Delhi, Gurgaon, Noida, Ghaziabad, Faridabad and other NCR areas. The origin of NCR is traced to the recommendation of first ever Master Plan of Delhi, way back in the year 1962. The prime aim was to reduce the burden of increasing population in Delhi and the growing demand for more space owing to large scale industrialization. Therefore the neighboring states like Rajasthan, Haryana and Uttar Pradesh came into consideration for developing satellite cities of Delhi. Gurgaon, Noida, Ghaziabad and Faridabad were the names that came up for developing the whole NCR region.

**Delhi:** Delhi comes under the governance of NCT, called the National Capital Territory. However, the Central Government does have some control over the administration and other departments. Delhi is not typically a Union Territory but has its own Vidhan Sabha constituencies with Assembly elections taking place every five years. Delhi is still fighting to claim the status of a complete state. With the inception of NCR region, Delhi has been relieved of the burden of growing demands from corporate bodies and government establishments. With globalization hitting the landscape of Delhi, the city needed more expansion and a better infrastructure to meet those demands. However, with the development of satellite cities like Gurgaon and Noida, this problem was solved to a great extent. Most of the government offices found their place in these satellite cities including international and domestic companies. MNCs and corporate bodies from all over the world are turning their heads towards Delhi sighting the manpower and skilled labor resource. NCR region is now the home to major international and domestic companies, be it IT, ITES, BPOs or other manufacturing and service industries. Better connectivity and improved infrastructure between Delhi and NCR make life easier for commuters to reach their work place. New roads and flyovers make sure that traveling is an easy ride from Delhi to any of the satellite cities.

**Gurgaon:** Gurgaon is located in the northern part of Haryana and the city's population is around 1,000,000 (as per the 2001 census). Gurgaon is the main city of the National Capital Region of Delhi because it the home to major IT companies and provides the best infrastructure in terms of schools, roads, housing societies

and medical facilities. Gurgaon is famous for its outsourcing and off shoring services that make contribute the most towards the economy of Gurgaon. Among the major industries in Gurgaon, IT, ITES, auto manufacturing and pharmaceuticals have the maximum existence.

**Noida:** Noida is one of the most modern cities of India with world class amenities and infrastructure. Noida is home to many big international as well as national companies like AgreeYa Solutions, GlobalLogic, EXL, Birlasoft, Impetus, STMicroelectronics, MtronPTI, Fiserv, Adobe Systems, TCS, , CSC, HCL, ATC Labs , Interra and Xansa. Some of the main reasons behind the existence of these companies in Noida are the proximity of the city to Delhi and good infrastructure.

**Faridabad:** Faridabad is one of the main industrial cities of Haryana and comes under the region of Delhi & NCR. The city is bounded by Delhi on the north, Gurgaon on the west and the parts of Uttar Pradesh on the east and south. It is surrounded by river Yamuna in the east and the Aravalli hills in south and west regions. Newly developed Faridabad or New Faridabad is the most preferred destination for industries, IT companies, corporate bodies and government departments.

#### **4. SUGGESTIONS ON REAL ESTATE SECTOR**

##### **A. Legislative Reforms**

The following Legislative reforms can be suggested:

- a. Revise the number of legislations governing property transactions and merge them into one comprehensive law.
- b. The repeal of the Urban Land (Ceiling & Regulation) Act by various states which have not done so is necessary. This is expected to facilitate the release of 2.2 lakh hectares of urban land, which remains frozen.
- c. Amend the Rent Control Act so as to remove the absolute authority of the rent Controller over the disposition of the rented property. This allows the rent controller to virtually divest the owners of the natural right to his property and transfer it to the tenant. The Rent Control Act must limit itself to ensuring a level playing field in terms of rent (adjustment) negotiations and a reasonable period for vacation of property. Market rates must be allowed to prevail in the medium term. Instilling confidence in the owners would lead to release of vacant houses into the market within the levels of affordability of the tenants.
- d. Amendment of the Indian Stamp Act, 1899 and the Indian Registration Act to delink the process of registration from the payment of stamp duty and also to liberate the registration process from the requirement of various no-objection certificates.
- e. Rationalize the tax rates and duties pertaining to the real estate sector. States should reduce stamp duties from the present range of 13-26 per cent to the level of 3-5 per cent. Stamp duty rates must also be uniform across States. The perceived loss in stamp duty revenues will be more than compensated through increased disclosure of property sales and the correct value of the property transacted. Property tax must be linked to the capital value of the property than on the rental value of the property. Entertainment tax rates must be reduced.

##### **Financial Reforms**

The following financial reforms can be suggested:

- a. Allow the pension funds, provident fund and insurance sector to invest in real estate. Provident and pension funds must be allowed to invest in deposits/bonds of housing finance companies.
- b. Encourage creation of real estate mutual funds/real estate investment trusts.
- c. Promote trading in mortgage-backed securities. The introduction of foreclosure norms and establishment of recovery tribunals is essential. Though securitization of mortgage debt has just started in India it has not succeeded due to the high incidence of stamp duty on documents.

d. The present stipulation that FDI will only be allowed for the development of integrated townships of a minimum area of 100 acres needs to be relaxed to 50 acres or less, as such vast expanse of land may not be available in urban areas. FDI in the rest of the real estate sector may be permitted up to 74 per cent with a lock-in period of three years and there should be no repatriation of dividend during the construction period. Repatriation thereafter may be allowed.

e. Develop a grading system among real estate developers to keep fly-by-night operators out and control default rates among developers. This will help investors (end user/buyer of property) be aware of the risks regarding the developer's ability to deliver as per specified terms and quality parameters and transfer of ownership on time.

### **Impact of Real Estate Market in The Development of National Capital Region (NCR)**

The overall impact of real estate market in the development of capital region is as follows:

A. On Farmer: Those who were having property are becoming richer. They are rehabilitating themselves by bringing them into property dealing business, some are purchasing cranes, bulldozers, mixers, interior decorators, cement, rods and iron work since lot of builders are there to take their services. Some farmers also misusing their wealth in drinking and giving drink party to their friends, some have purchased big cars to show their well beingness.

B. On Investors: The investors are having lot of investing opportunities to invest their money in property, flats, plots, etc. They are getting better return than financial instruments. Normally property appreciating @ 20 -25% growth. The customers are forced to pay extra charges to builders to pay extra compensations.

C. On Builders: The builders are facing the threats of farmers since they are demanding heavy compensations. However they are shifting these extra compensations on the customers.

D. On Government: The Government is getting more and more registration charges as their revenue. But also having to take the responsibility of developing the area by constructing roads, greenery, lighting, water facility. It is the matter of satisfaction that the U.P. Government have taken very good step to make NOIDA an Greater NOIDA as a Model Town of International standard. It has also started formula one race in Greater Noida area by making excellent infrastructure for it. The private public sharing in developing the area is having tremendous results.

E. On Environment: Lot of trees been cut for constructing tower of 25-30 storied. The area of Greater Noida / Noida is becoming concrete jungle. It is hazarding the environment. However, Noida Development Authority is making efforts to develop green belt.

### **5. CONCLUSION**

Real estate is information based business, and consequently, is deeply affected by information technology. The accelerating rate of change can be seen when studying firms in the area as well as the consumers it serves. The information technology revolution that is inescapably penetrating all sides of industry is propelling the real estate. The technology enabling the accruing and conveying of information expands in efficiency, speed and boundary-spanning daily. This may throw entire industries into turmoil; some become redundant while completely new ones emerge. New approaches to work, information, knowledge, IT and organization structure are essential requisites to survive in this new environment. Current advances in computer technology, low-cost transmission of transactions easily crossing continents in seconds, as well as the growth of the World Wide Web have placed a lot of pressure on the real-estate industry and challenge customary assumptions about real estate transactions. Due to the universality of the Internet.

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