

# Realtors ride on demand in Tier-II cities



Urbanisation and infrastructure development in smaller cities have boosted the local economy. PHOTO: REUTERS

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**E**ven as realty sales dry up in metro markets, they continue to be strong in many non-metro markets such as Mohali, Lucknow, Jaipur and Indore, say developers. They point to rising incomes and a yearning for open spaces and better lifestyle in these cities.

Developers such as Omaxe, Parsvnath, Emaar-MGF, Eldeco and Sobha which have launched projects in tier-II cities are riding on strong demand there. This is helping them offset losses in sales in metro markets like the National Capital Region (NCR).

Omaxe, which has projects in tier-II markets such as Lucknow, Chandigarh, Jaipur, Patna and Allahabad, says it is selling 300 units a month this year, against an average of 100 units a month in 2010. These include plots, villas, floors, flats and retail shops.

The Ansal Group, building a township in Lucknow, has sold nine million sq ft or ₹900 crore of property in the first nine months of this financial year, against six million sq ft worth ₹750 crore in 2009-10. "People are moving from independent

bungalows to gated communities and housing societies in these cities," said an Ansal official.

People buying homes in these tier-II cities include government servants, who have higher disposable incomes with new pay scales, professionals (doctors) and new generations of the business community who want more open spaces and better lifestyles.

"People buying our homes want to enjoy a new kind of lifestyle — gated community, club and swimming pool. Many people from the business community who have travelled abroad and seen the world want to have a better living," said Rhtas Goel, CMD, Omaxe.

## Pricing, development

"Unlike Mumbai or Delhi, prices have been fairly steady in most tier-II towns, which aids a higher conversion," says Kaustuv Roy, executive director, Cushman & Wakefield, a real estate consultant. People could buy a villa-type premium property for ₹2,500 per sq ft or plots for ₹1,000-1,100 sq ft, as these projects are eight to 10 km away from city centres.

"With improving infrastructure in these cities, people don't mind the commute for a better lifestyle when prices can

be one-tenth of what you pay in city centres," says Goel. For instance, a plot in Chandigarh's city centre could cost you ₹2 lakh a sq yard while the rate in a township, eight to 10 km away, is only ₹15,000 a sq yard.

As these are investor-driven markets—investors account for 60 per cent of sales in initial stages—any rise in property prices attracts more people. For instance, when Emaar MGF started selling in Indore two years before, the price was ₹5,000 per sq yd. With development of infrastructure—landscaping, trees and roads to tempt people to buy—prices have gone up to ₹5,600 per sq yd.

Though this is a 12 per cent increase, it will come to more, as the investor has put in only 20 per cent of the money. The rest will come on a payment schedule. "Plots have always been attractive here, as people believe you can't lose money on land. In the last two months, we have sold more stock in Indore than the whole of last year, as there's a lot of development," said Emaar MGF's executive president, Sanjiv Saddy. In Mohali, where Emaar is developing a township, the company has sold over 800 plots, and prices have moved from Rs 11,500 a sq yd to Rs 17,000-23,000 a sq yd, after external development such as sewerage and securing statutory approvals. The project is 10 km from the airport and 20 km from Chandigarh's city centre.

Developers say urbanisation and infrastructure development—highways, widening of roads, new flyovers—in these towns have boosted the local economy. "The latent demand was there, but there was no scope for investment. Initially, it is an investor-led demand, followed by end-user demand," said Suneet Sachhar, marketing head, Parsvnath Developers, which is riding the demand in many tier-II towns. It has projects in towns such as Dharuhera on the Jaipur highway, Rajpura near Ambala, Agra, Sonapat, Moradabad, Ghaziabad. Many have been sold out or are filling fast. "People are still trying to come out of the downturn. With inflation putting pressure on budgets, today many don't mind commuting for a cheaper accommodation," said Sachhar. If the location is good, and the project is rightly priced, demand is not an issue.