

PAN-INDIA PRESENCE

Builders selectively return to launch projects, buy land in small cities

Developers are buying property in cities where prices are low and distressed assets are easily available

BY MADHURIMA NANDY & DEVESH CHANDRA SRIVASTAVA

BANGALORE/NEW DELHI

Realty firms are returning to small cities to develop the land parcels they had bought during the property boom of 2005-07, when many aspired to grow into pan-India players.

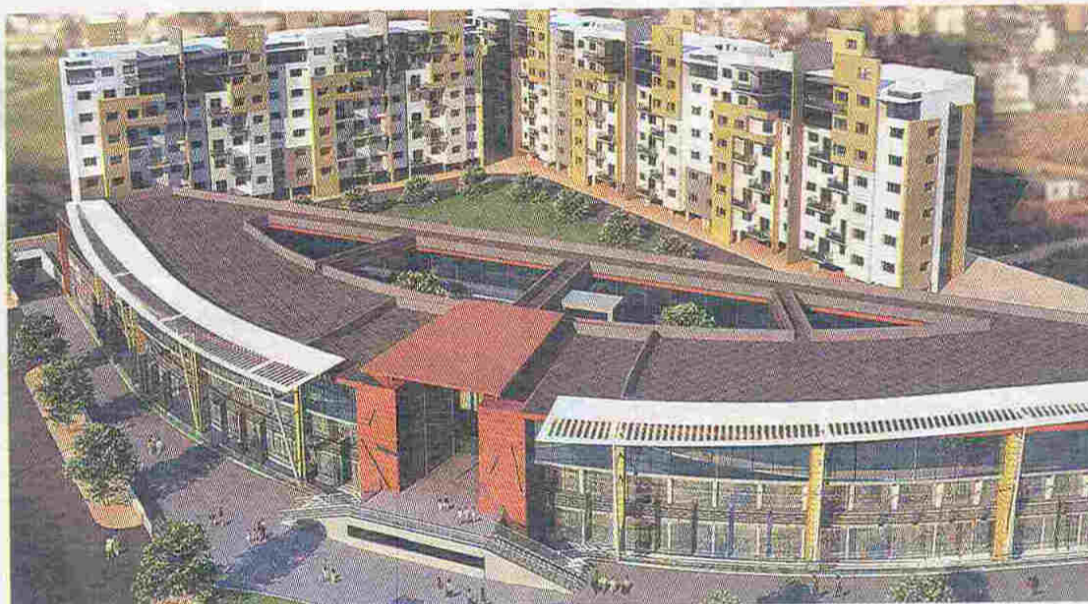
Those ambitions are back. Realty firms are again developing and buying land in small cities or towns and entering new markets, after having spent most of the downturn trying to keep a grip on their big city projects.

The country's second largest developer by market value, **Unitech Ltd**, for instance, is considering launching projects—mainly in affordable housing—in cities such as Hyderabad where it already owns land, a company spokesman said in an email.

More than 40% of Unitech's projects are in the Delhi-National Capital Region (NCR), though it is also present in Kolkata, Chennai, Bangalore and Mumbai.

Credit Suisse Group AG says in a 5 July report the Indian property market will likely be driven by volumes and not prices, and a developer who can churn land faster by selling at affordable prices will be able to generate better returns.

"The projects that will come up in smaller cities are mostly delayed launches which were put on hold," said Gulam Zia, national director (research and advisory services), Knight Frank India, a property advisory firm. "Developers have created land banks in such locations over a period of time by



Rising momentum: An elevation of Sunil Mantri Realty's Mantri Square in Solapur, Maharashtra. The firm attributes the opening up of housing potential to IT companies setting up offices in such locations.

acquiring distressed assets, and as the sector is slightly shaping up, they are flirting with the market conditions again." To Zia, this isn't a good move. He's convinced that while smaller cities and towns will likely see better momentum than metros because of the renewed interest in them, they are far from a recovery as demand is still slow.

Realty firms are undeterred. Bangalore-based **Sobha Developers Ltd**, which has ongoing projects in its home city and in smaller cities such as Thrissur, Coimbatore and Pune, will step out of its comfort zone to launch projects this fiscal year in markets such as Gurgaon and Chennai, where it already owns land.

The Chennai project is a small development on three acres. The one in Gurgaon is much bigger—a 153-acre township that will mark Sobha's entry into north India.

The firm will also develop its land reserves in Mysore and Kochi soon.

"Sobha wants to be a pan-India player and though any new location throws up challenges, we will be able to suc-

cessfully meet them," said managing director J.C. Sharma. "There will be great demand in residential sector in the cities where we are planning projects and we have also successfully bought land."

Sobha has land reserves across 10 cities.

Developers eager to venture into new geographies are buying property and land in cities such as Kochi, Gwalior, Hyderabad and Indore, where prices are low and distressed assets are available.

Noida-based Amrapali Group "has acquired land in states such as Orissa, Madhya Pradesh and Uttarakhand and cities such as Patna, Nagpur" for hospitality and residential projects, said chairman and managing director Anil Sharma.

Sunil Mantri, chairman and managing director of his eponymous realty firm **Sunil Mantri Realty Ltd**, said he has signed two land parcels in Kochi for residential and commercial development, with a total sale outlay of Rs800 crore, as well as an unfinished 100-room hotel for Rs25 crore, which will be rebranded and relaunched.

In Hyderabad's Gachibowli, Mantri has acquired 1.6 million sq.ft of space from a local developer for Rs100 crore in another distress deal.

Mantri, whose firm is present in small cities such as Kolhapur, Sangli and Solapur in Maharashtra, attributes the opening up of huge housing potential in such locations to information technology companies setting up offices there. "The growth of these cities is being driven by cost advantages in real estate and labour," he said.

Though momentum in such small markets may invariably pick up, some firms are being selective in their ventures.

Pradeep Jain, chairman of **Parsvnath Developers Ltd**, said he is looking at starting operations across south India, but judiciously. The company, which has a land bank of 195 million sq.ft mostly in north India, will begin a hotel and commercial project in Hyderabad and a special economic zone in Kochi, but is undecided on developing its land reserves in Mysore. Jain didn't say why.

madhurima.n@livemint.com