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## 'It is the government agencies that hold stock in trade and not the private builders'

The builders are generally portrayed as the Shylocks of the real estate industry. In a discussion with Alok Singh, L N Goel, chairman, Suncity Projects tries to present the builders' point of view. He also shares a few of his rarely discussed business decisions. Excerpts:

**Suncity is generally associated with large townships, not small group housing schemes. Is that a policy?**

Not necessarily. In Gurgaon we developed Essel Towers, a group-housing scheme, over 36 acres. Of course, even in group housing, we have not gone for smaller scales. Now we are developing a GHS at Panchkula. That is also a big project, on 27 acres and it will have about 2.5 million sq ft.

**Wouldn't population be better served with lots of small group housing schemes rather than a large township outside the city?**

If we make small townships and group housings, then planning for them is a big issue. If we develop on a small scale, then we cannot make good plans. And getting all the permissions requires the same amount of effort, whether it is a big group-housing project, or a small township.

**Despite a slowdown, prices of real estate are not coming down. High cost of land is usually blamed for this. But the land banks would have been acquired much before the land prices escalated. Why are prices still not coming down when sales obviously are?**

Builders and developers are not the only reason for high costs. The increasing rates of building material, maintaining and sustaining the land carry as much weight as the cost of land, and don't let us bring down the prices.

Also, once the builder has sold the built-up space, he does not benefit from price movements. It is the investor who makes a profit then. If you look at the government agencies that hold the land, it is they who hold stock in trade and not the private builders. For example, in its townships DDA auctions the houses first, and auctions the infrastructure much after that.

Also, I could acquire the land for a project ranging from Rs 30 lakh an acre to Rs 3.5 crore an acre. On top of that, there are the development charges.



**What are the development charges payable to the government?**

These are Rs 80 lakh per acre in Gurgaon and Faridabad. This means in an acre, developer pays Rs 80 lakh for 2,200 sq yd. Add to that Rs 35-40 lakh per acre spent on developing that land. That amounts to an extra expenditure of about Rs 1.5 crore per acre. On 2,200 sq yd that amounts to about Rs 6-7.00 per sq yd. Plus there is the land cost. Although I am no longer in the Gurgaon market, but today the developer has a cost of at least Rs 25,000 per sq yd. So at what rate will it get sold?

In my case I started buying for the Suncity Township in Gurgaon 12 years ago, it is a 160-acre township. In that, I actually incurred a loss while buying the last 20 acres. But I needed that land to complete the township. I did an agreement for that plot of land giving the farmer 57% of development, while the government allowed me only 50%. The rest I gave from my existing holdings. The farmer kept the land and sold it as per his wishes.

**Is a realty bust around the corner?**

No. Because the requirement for houses is rising. The investment coming into the industry is not going to end soon, nor can the government stop that investment from taking place. Lastly, there is a lot of wealth creation in India. Because of that people have buying capacity and everybody wants a house.

**The correction today is attributed to the withdrawal of investors from the market. The day investors have to offload more of what they are still holding on, won't there be a further correction?**

When investors move away, correction does happen. But I am in the market and I am telling you that the market cannot come down more than this.

**But haven't many markets crashed?**

The decline has taken place, such as in

Kundli-Sonipat area, because these markets had a bullish market and the investors had hiked the prices too much. On the contrary, we are seeing an increase in our Rohtak and Jaipur projects, because these places had real prices and even now the prices there are real.

**Some of the builders are coming with lot of options in the Rs 20 lakh houses. Not many are doing that. Why?**

Real estate is not about following blindly what other developers are doing. Definitely coming up with low rate apart-

ments is a good thought but it matters how a group foresees and plans to serve the growing demand. We can never compromise on the quality. To offer houses in this range, will have to do away with many features to bring down the costs.

Today, construction cost cannot be below Rs 800 per sq ft anywhere in India. In Ahmedabad, at one time

houses were sold for Rs 600 per sq ft. I was shocked to hear how this was possible. This was below cost even four to five years ago. This happened because some of the builders put in 3 kg of steel where they should have put in 6 kg.

**Why are one-room apartments not popular in the NCR even though land prices are steadily rising?**

Yes, Delhi is catching up the trend but due to comparatively better infrastructure and low rates people at Delhi and other parts of country can afford to have better living apartments.

The land cost in Mumbai is much higher than in Delhi. There is no demand for one-room apartments in the NCR. I had made two-room sets in Essel Tower. And I admit I committed a blunder. I had to eventually couple these flats and make larger apartments. This was six years back.

**Do you have plans for launching low-cost housing?**

We will make some of these houses in Baddi. They will be targeted at people earning Rs 10-15,000 per month. ♦

**UP COMING PROJECTS**

Jaipur, Rohtak, Kaithal, Rewari, Indore, Baddi, Panchkula

**HI-TECH CITIES**

Mathura, Ghaziabad