



GMADA'S ATTEMPT TO CURB SPECULATION IN PROPERTY

Aggarwal Monika

Cordia Institute of Business Management, Sanghol, Chandigarh, India

ABSTRACT

The rising property prices in India is making it altogether tough for genuine buyer to buy own house. Probably one of the reasons behind this is speculation in the property prices with the objective to earn super normal profits. This case highlights the attempt of the Greater Mohali Area Development Authority (GMADA) in solving the dilemma 'How to curb speculation in the property'. With the objective that only genuine and end users should make investments GMADA floated its one of the best residential accommodation 'Purab Apartments'. It introduced a clause 'lock in period' so that only the end users buy property. This case examines the impact of clause 'lock in period' by undertaking a survey of original 100 allottees of these apartments. It was found that though the flats are expensive for end-users as perceived by majority of allottees but the flats are owned by end users i.e. the real owners, thus helping GMADA in achieving the objective of property for end-users.

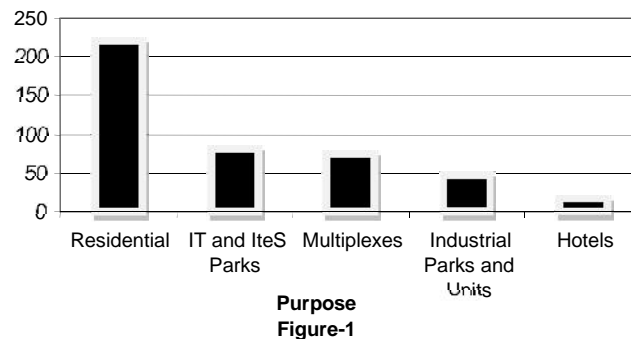
KEYWORDS: GMADA, Lock in period

INTRODUCTION

Chandigarh UT, the capital of two states of India i.e. Punjab and Haryana has always been a most preferred destination for quality housing living and urban infrastructure related investments. Chandigarh and Periphery is becoming industry hub for IT, Pharmaceutical, fashion technology and media. There are about 2950 Small Scale and 15 Large and Medium Scale Units in Chandigarh. So there is huge demand for the affordable residential accommodations. Per capita income of the area is also high. Thus residential accommodation is expected to be on the luxury side also. The city is also known as cleanest city of India. Due to expensive property in Chandigarh the investors are moving towards its periphery. The western side of Chandigarh periphery 'Greater Mohali Region (GMR)' is fast emerging

hub for investments in property. The improvements in infrastructure, development of parks and satisfactory law and order condition over the past many years have helped GMR to emerge as an independent town, and especially as an IT destination. It has also become an important investment destination for Indian and multinational Companies. The area is attraction not only with individuals and property investors but also with because of better accessibility and declared public priority to provide world-class civic amenities. The government of Punjab has shown keen interest in developing GMR as a Centre of Excellence for IT, Industry & allied services (figure-1). It constituted an authority under the name Greater Mohali Area Development Authority (GMADA) for integrated development of the area.

Planned Investment in GMR during 2007-11 (Rs. Bn)



GMADA has a jurisdiction over six local planning areas, that is, SAS Nagar, Kharar, Banur, Zirakpur, Dera Bassi and, Mullanpur. JURONG Consultants has been engaged to construct master plans for land use over an area of 1190 sq. kms under GMR. GMADA follows the rules developed by

Punjab Urban Planning & Development Authority (PUDA). GMR is also an attraction for the property developers also. Other big players in GMR include the names like DLF, EMAAR, Unitech etc. (table-1)

Table-1
Developers in GMR

Developer	Project	Area (acres)
DLF Universal	Residential-Sector 86 to 106 of Mohali	800
PACL India Ltd.	Residential-sector 104 & 105 of Mohali	200-260
EMAAR MGF Land Pvt. Ltd.	Integrated township with special education and wellness zones Sector 85 to 106 of Mohali	1000
EMAAR MGF Land Pvt. Ltd.	Integrated Golf and Leisure city, Chandigarh Kharar Road	950
EMAAR MGF Land Pvt. Ltd.	Trade and Entertainment City, Chandigarh Kharar Road	150
Rana Infrastructure Pvt. Ltd.	Residential- Sector 99, Mohali	103
Unitech Limited	Residential - Sector 107, Mohali	200
Taneja Developers	Residential- Kharar	160
Infinity Promoters and Developers Pvt. Ltd.	Residential-Mohali	100
IREO Funds Ltd.	Residential-Periphery of Zirakpur	300
Renaissance Buildcon Co. Ltd.	Residential-Zirakpur Patiala Highway	300
Shipra Estate Ltd.	Residential-Zirakpur-Dera Bassi Highway	650
Country Colonisers	Residential-Mohali	110

PROJECTS DEVELOPED BY GMADA

GMADA floated its most successful project Aerocity in the year 2010-11. This project got a record response with 3,22,422 people applying for the 3,800 residential plots offered in the first phase. Majority of the respondents applied for this project by seeking bank finance for 120 days @ 7.5% interest p.a. The plots were allotted at the rate of Rs.12,000 per sq. yard and within 2 years when allotment was already made but procession was yet to be given the rates were appreciated to Rs.30,000 per sq. yard. At this rate almost 50% plots are available as resale after the appreciation of the land rates. People invested in these plots with the speculative motive and end use motive.

In the year 2011 GMADA came out with 'Ecocity' project. It was one of the wonderful options for those who want to reside in and near Chandigarh but cannot afford to buy property in Chandigarh. It acquired 420 acres of land in Mullapur near Chandigarh by paying cash compensation of between Rs 1.22 crore and Rs 1.30 crore per acre, one of the highest compensation in the country. GMADA received around 1.40 lakh applications for just 740 plots. The plots were priced in the range of Rs 15,000 to Rs 19,000 per square yard. The property experts felt that pricing had been the main factor inducing public to invest in these plots. By the end of December 2012 the market rate of the plots stood at Rs 25,000 to Rs 30,000 per square yard.

PURAB APARTMENTS

Both the projects of GMADA attracted property speculators to earn super normal profits. To cater to the needs of genuine end users GMADA floated Purab Apartments scheme with features that were at par with the best housing

schemes offered by realty majors in the private sector. To meet its objective GMADA introduced a clause of 'lock in period' which stated that for 5 years the property cannot be transferred. The senior officer of GMADA opined, "because of the five-year lock-in clause, we have achieved our goal of providing housing to genuine applicants." These multi-storey freehold towers were to be constructed in Sector 88. The unique features include: 75% open spaces, all apartments North- East facing with big Windows and Balconies designed respecting the age old wisdom of Vaastu, to be built by firms of national repute, quality of construction to be supervised by third party independent agencies, 24 hour pressurized water supply, no overhead or rooftop water tanks, Piped metered LPG/ NPG, Garbage chute, automatically switching Common Generator backup for fans, lights, TV and Fridge indoor Swimming Pools, 8 Lawn Tennis Courts, 2 Skating Rinks, 8 Indoor Badminton Courts & 8 Table Tennis tables, 2 spacious Gyms, 8 Basket Ball Courts, 8 Volley Ball courts, 2 Football Grounds, Over mile long Walking Tracks, a Community Centre + Club + Yoga & Meditation Hall with 30000 sq. feet covered area and Convenient Shopping for day to day needs to be provided within 5 minutes walking distance of every apartment as a matter of right, as soon as construction of apartments concludes, card plus Finger Print based Common Entry Control for security, spacious fast elevators and fire fighting equipment. Bank finance was available for financing Purab Premium Apartments. Many other facilities like international airport, sports complex, and connection with proposed metro rail service, multiplex,

cricket stadium and golf course are proposed very near to the site. But this scheme attracted very low response. GMADA received only 6500 applicants for the total of 6300 flats. From the very beginning of the launch of the scheme things started delaying. Firstly, the scheme opened on December 12, 2011 and was initially scheduled to close on January 12, 2012. It was later extended to January 21, 2012. GMADA published 1.25 lakhs brochures, 50,000 were in press when the scheme was launched. In an office order issued by GMADA in the last week of March, it was pointed out that GMADA had spent Rs 45,31,250 on getting the brochures printed. Each brochure was sold to the applicants for Rs 200. Out of the 1.25 lakhs brochures printed for the Purab Premium Apartments Scheme, only 69,500 were issued to banks. GMADA could collect only Rs 37 lakhs from the sale of brochures as banks were able to sell only 18,500. Soon after the allotment, the allottees started losing faith. In the very first week of allotment about 300 applicants filed the withdrawal of their allotment. Around 1500 applicants filed withdrawals by March, 2012.

PUBLIC RESPONSE

A survey of 100 original allottees was conducted and it was found that majority of them came to know about Purab apartments from the newspapers followed by property consultants, brochures and electronic media. Normally people didn't undertake the survey to check the profitability of the project before making investments. It was observed that with respect to Purab Apartments though the quality of the material was perceived as good and satisfactory but respondents believed that the flats are poorly priced. Respondents told the students that the major flaws in the scheme were the lock in period followed by the prices. Still they had invested only because of the fact that this is PUDA scheme i.e. government security is attached. 56% of the respondents opined that their decision is not based on the

old schemes i.e. Aerocity and Ecocity. It was found that 62% of the respondents were not satisfied with the decision of investment in Purab apartments though 52% of the respondents invested in the apartments as end users and rest 48% invested with speculation motive. Lock in period and high pricing were the two major reasons for dissatisfaction followed by mode of payment, location and layout. One allottee who had applied for speculation purpose has retained the flat. He opines that "the cost of type-III flat is Rs.70,00,000/- and it is financed through bank at 12% rate of interest p.a. the total cost would be around Rs. 1 crore after 5 years. The rate of property will be much higher than the total cost of acquisition. It is better to invest in the Purab Apartment even if the lock in period is there." Though the flats are expensive for end-users as perceived by majority of allottees but on the other hand, the flats are owned by end users i.e. the real owners, thus helping GMADA in achieving the objective of property for end-users. Now, GMADA is coming up with another two projects namely, 650 acre Medicity and knowledge city.

ISSUES TO BE ADDRESSED BY READERS

1. Do you think the Purab Apartments were rightly priced?
2. Comment upon keep as well as surrender decision taken by the allottees?
3. Should GMADA waive off the 'lock in period' clause for attracting investments in Purab Apartments?
4. In your opinion what strategies should GMADA opt for the publicity of its upcoming Medicity and knowledge city?
5. Should GMADA continue to adopt the clause 'lock in period' it in order to protect genuine home seekers and enforce it in all project approved by it

Annexure-1

Property Rates

(All figures in Rs.)

	2004	2005	2006	2007	2008	2012
Zirakpur	3000	6000	13000	17000	36000	36000
Kharar	2000	5000	10000	12000	16000	25000
Chandigarh	14000	36000	54000	60000	80000	200000
Mohali	6000	16000	32000	34000	50000	80000
Panchkula	7100	20000	38000	40000	50000	80000

(Based on the information collected from property dealers of the respective areas)

Annexure-2

Location Attractiveness Index

	Chandigarh	Manimajra	Mohali	Panchkula	Greater Mohali	Zirakpur	Mullanpur
Infrastructure (connectivity, roads, markets, schools)	1	5	3	3	5	4	3
Residential Cost	5	3	3	3	2	2	4
Priority to Organized Retail	1	2	2	2	4	1	2
Priority to Commercial Development	1	3	3	3	4	2	3
Future Infrastructure Development	3	3	3	3	2	2	1
Future Employment Generation	2	2	5	3	5	3	5
Good/Low Cost	1						
Above Average	2						
Average/Medium Cost	3						
Below Average	4						
Bad/High Cost	5						

(Source: ICICIBank.com)