

Land deals pick up pace as prices decline, distressed assets increase

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BENGALURU

As land prices fall and distressed assets rise, land deals are picking up pace. Large developers from Mumbai and Bengaluru, particularly those backed by institutional investors, are actively scouting for land parcels, mostly to build commercial offices and industrial warehouses, but also distressed residential parcels at lower valuations.

India's largest property market, National Capital Region (NCR), where land values have dropped by 30-40%, may be the worst impacted by the real estate slowdown, but that hasn't deterred buyers.

Mumbai-based Godrej Properties Ltd signed up for land parcels—three in NCR and one in Bengaluru—

between April and July. These were a mix of outright buys and joint development deals. The latest was a 14.8 acre land in Dwarka Expressway from BPTP it bought under the Godrej Residential Investment Program II (GRIP-II), a \$275 million fund.

"Land prices have corrected, particularly in NCR and there are lots of opportunities for outright buys. There are developers who are selling because of liquidity issues but the expectations are now realistic. It's a buyer's market," said Mohit Malhotra, managing director and chief executive, Godrej Properties. The developer is looking at more land in Mumbai, NCR, Pune and Bengaluru.

In one of the largest land deals this year, a joint venture of Tata Realty and Infrastructure Ltd (TRIL) and Standard Chartered Private Equity acquired a 47.5 acre plot at the

Thane-Belapur industrial area, near Mumbai for Rs325 crore.

Bengaluru-based Salarpuria Sattva Group, which bought a land parcel in Hitec City, Hyderabad from BPTP for around Rs200-250 crore this year, is in the process of closing two more deals in Bengaluru. "There are large corporate houses, who need cash flows and want to exit certain assets and other developers who are unable to develop the projects and want to sell off the land," said Bijay Agarwal, managing director, Salarpuria Sattva Group.

Land prices are dropping except in Hyderabad, where it has risen.

"There has been a steady decline in land prices, which have dropped to 30-40% in NCR. Interestingly, NCR developers have always believed in building land banks. But due to market con-



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ditions, they are unlocking value either by selling or entering into partnerships with better placed developers," said Santhosh Kumar, chief executive officer-operations at property advisory JLL India. Firms in affordable housing, warehousing and logistics and commercial office development are the ones who are most active buyers in the market today.

Tata Housing Development Co. Ltd said it has aggressive growth plans for both affordable and luxury housing projects in the next 2-3 years. It is exploring 8-10 deals across the top 10 cities at any given time and expects to close 4-5 deals

by the end of December.

"Though land valuations have come off their all-time high, they are still on the higher side. We expect the market to remain stagnant for couple of quarters and land prices should soften a little more in near future," said Brotin Banerjee, CEO and managing director of Tata Housing.

In warehousing and logistics, Embassy Industrial Parks Pvt. Ltd (partnership of Embassy Group and Warburg Pincus) is looking to buy large tracts of land while Hiranandani Communities wants to buy land in Pune, Chennai and Nashik for its new industrial park business.