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Large land parcels in suburban and peripheral markets are being sold as plotted parcels to meet the demand for independent homes

In recent years, the demand for developed residential plots in the city has increased, and a number of developers are turning a portion of their land bank into plotted layouts to drive cash flows in a slow market.

A majority of micro markets in the suburban and peripheral areas of Chennai don't have a strong apartment culture and plotted developments become important here. They are also popular among HNIs, NRIs, and IT professionals.

Such developments are a great way to standardise the largely unregulated plotted development market, says T. Chitty Babu, CEO, Akshaya. The suburbs offer plenty of space for growth and developers aim to make plots a fashionable investment avenue. Another reason why developers favour them is because high-rise developments located on the outskirts of the city take five to seven years to mature as a valuable investment destination and take even longer to break even.

With interest costs high, most developers are unable to sustain such an investment and prefer the plotted development market.

After the advent of Urban Land Ceiling Act in the mid 70s, the subsequent increase in land prices gave rise to the apartment culture in the city. The IT boom further increased the demand for apartments. "The global economic slowdown, however, resulted in reducing this demand. Developers with huge land parcels in locations outside the city started to convert to plotted layouts," says Dr. Kumar, Managing Director, Navin's.

Popular locations include OMR, GST, and ECR. The projects attract mid-segment buyers and a minimum investment could start at Rs. 5 lakh for a 1, 200 sq.ft. plot in the suburbs. People who have invested in areas such as Perungudi, Sholinganallur, Pallavakam, Ambattur and Poonamallee five to seven years ago have seen huge capital appreciation.

As a long-term investment, land is inexpensive compared to an apartment where average minimum prices are Rs. 25-30 lakh per unit. "If you can buy land at the right price, there are no mortgage payments, no utility bills, insurance is nominal, and property taxes are extremely cheap too," says VS Sridhar, Managing Director, Chennai, Cushman and Wakefield.

This particular segment had many unorganised players but, in recent years, new launches from credible players have helped build buyer confidence. "From a buyer's perspective, it offers the benefits of independent living, better return on investment, and better amenities. They offer a clean title," says Kanchana Krishnan, Director, Chennai, Knight Frank India.

Features such as roads, connectivity, water, electricity, street lights, pavements, walkways, and access to commercial establishments are the amenities to look for. Today, most developers also include a play area for children, swimming pool, gymnasium, and clubhouse. There may also be gardens and paved walkways.

There are some drawbacks too. There is no immediate generation of cash flow and with most such plots located in the suburbs, buyers must take into account the time frame required for a specific micro market to mature enough to generate good returns on investment. Funding options for purchasing land are also limited. Plots, however, have an advantage in price appreciation, whereas an apartment or house could be a depreciating asset.

Surendra Hiranandani, CMD, House of Hiranandani, says, "A popular investment choice among locals, the response for plotted land developments is higher when the local administration upgrades infrastructure such as roads, flyovers, and also introduces transit projects that enhance connectivity."