

Realty 2018 - Can NCR Deliver on its Promises ?

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Project delays are one of the most alarming issues historically dogging the Indian real estate sector. The dearth of effective planning and execution of construction activities, escalating construction costs, approval delays, diversion of allocated funds to other projects and tepid sales are some of the predominant factors resulting in project delays. The homebuyer is, of course, at the losing end.

To put it in numbers, during 2017, out of the total 5.8 lakh residential units slated to be completed across the top 7 cities in India, only 1.5 lakh units were actually delivered until December 2017. This indicates that around 4.3 lakh units actually missed their stipulated completion deadlines.

The National Capital Region (NCR), one of the country's largest residential markets, was seriously wounded by sudden policy changes, structural reforms - and the dubious practices of unscrupulous developers. As a result, it topped the list of cities with maximum project delays. Around 1.5 lakh units in NCR missed the 2017 deadline. The story in Mumbai Metropolitan Region (MMR) was no different with nearly 1.1 lakh units missing the said deadline.

NCR: Where project delays are the order of the day

In NCR, out of the total 1.9 lakh units expected to be delivered in 2017, only 42,500 units were given for possession as promised. Approximately 49% (~73,000 units) of the undelivered residential units were in Greater Noida, followed by 17% (~25,300 units) in Ghaziabad, 13% (~19,400 units) in Gurgaon and 11% (~16,000 units) in Noida.

Greater Noida: A deeper analysis of the construction activity scenario in Greater Noida reveals some glaring issues. Developers in Greater Noida were expected to deliver around 84,200 units in 2017, of which only 13% were delivered and an additional 39,000 units (46%) are committed for completion by 2018 year-end. Due to the National Green Tribunal (NGT) directive, projects in Greater Noida have been stalled for years due to land litigations between farmers and the developers. Ghaziabad: Of the 29,300 units which were to be delivered in 2017, nearly 86% failed to meet their deadline. Only 14% have been handed over to buyers, and around 8,100 units (32%) are envisaged to be completed by year-end 2018. While a few projects have been sealed for recovering the Ghaziabad Development Authority's (GDA's) development charges, others face difficulties in obtaining completion certificates. Gurgaon: The Millennium City was also not able to deliver around 19,400 units in 2017; the delivery of these units was shifted to future dates. Out of 27,300 units committed for delivery in 2017, only 29% were handed over to buyers and around 14,400 units (53%) are being pushed for completion by year-end 2018. The good news is that most of the delayed units are likely to be completed in 2018, and the delivery of only limited units is being pushed to the subsequent years. Noida: Barring of construction activity within a 10-km radius from Okhla Bird Sanctuary between 2013-15 has stalled a large number of projects in Noida region. Out of the 23,900 units committed for delivery in 2017, 67% were unable to meet the deadline. Around 7,900 units (49%) of the delayed units are projected to be completed by December 2018.

In addition, a severe cash crunch due to syphoning of funds by developers for other projects, tweaked project details to bypass environmental/regulatory clearances, changing norms, water/sand crisis and red-tapism became some of the common causes of the long-delayed projects of NCR. Consumer sentiment was

severely shaken by these delays and finally brought the sector to a standstill. Developers' profits took a massive hit and their negative cash flows increased the delays even more.

Can NCRs developers beat the odds in 2018?

The above analysis talks only about the delayed projects that are anticipated to be delivered by the end of 2018. There is more to the story - namely the actually planned deliverables for the year 2018. Besides the delayed 79,400 units whose revised possession timelines are now December 2018, there are actually planned deliveries of around 86,600 units for this year. Altogether, NCR developers are expected to deliver around 1.66 lakh units (3.9 times the units delivered in 2017) by this year-end.

Will developers in NCR be able to deliver such a large number? That is certainly something that bears watching closely. With RERA expected to streamline residential real estate, homebuyers are hopeful that projects that have been stalled or slowed down over the years will pick up momentum and finally be delivered.

The Government authorities are certainly scrutinizing the issue by auditing long-delayed projects to chalk out initiatives and ensure their completion. All-in-all, with a massive number of residential units due for completion, year 2018 is a tough one for the NCR property market.

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