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Land purchases, joint development deals soar amid booming real estate demand



Bengaluru: Land acquisitions and joint development agreements (JDAs) are gaining momentum across the country's top economic centres, as developers aim to ride a booming property market in the world's fifth-largest economy.

The post-pandemic rebound in demand for residential properties, after a seven-year lull, has prompted developers to acquire land parcels. Well-funded developers are making outright land purchases, while those who follow an asset-light strategy are inking JDAs to enter new property markets and expand.

Outright land deals and JDAs are the two most prevalent routes through which developers create a project pipeline. In JDAs, a developer typically enters into a revenue or area-sharing deal with the seller or landowner.

Land transactions are largely dependent on the sales momentum in the sector. In 2023-24, residential sales jumped to 572,191 units in the top eight property markets compared to 467,298 units in FY23, according to Liases Foras, a research firm. This has propelled developers to do more land deals to launch projects. Around 126,095 units were sold in the April-June period this financial year in the top eight markets. In comparison, 81,845 units were sold in the corresponding quarter a year ago.

The top developers that had announced big business development plans for FY25 are going all out to close deals. On the land-buying front, Godrej Properties Ltd, which was the top-selling residential developer last year, has led with 10 land acquisitions so far in FY25, in Gurugram, Greater Noida, Mumbai Metropolitan Region (MMR), Ahmedabad, and Indore. Prestige Group has been actively closing land deals through outright deals, or entering JDAs. Most recently, it acquired 17.45 acres in Bengaluru's Whitefield area for ₹462 crore. The Bengaluru-based developer has acquired land worth over ₹5,000 crore in the last six quarters.

In the January-September period this year, land deal volumes surged 65% year-on-year to 1,700 acres, as per estimates by property advisory CBRE India. Delhi-National Capital Region (NCR) led with 32% share in land deal activity.

Gurugram-based Signature Global plans to invest ₹1,500 crore to acquire land this year, as it looks to replenish its land bank and enter new markets such as Noida, founder and chairman Pradeep Aggarwal said.

The JDA route

Last week, a subsidiary of Mahindra Lifespace Developers Ltd signed a JDA with warehousing and logistics firm GKW to develop the latter's 35-acre land parcel in suburban Mumbai's Bhandup.

"JDAs constitute a lion's share in land deals across the country. In a city like Mumbai, where land is scarce and redevelopment projects are common, joint development is a logical choice. JDAs enhance IRRs (internal rate of returns) and minimize land-related risks," said Shobhit Agarwal, managing director and CEO, Anarock Capital.

Around 556 acres of JDAs were signed during the January-June period through collaborations between developers and landowners, according to property advisory JLL India.

Bengaluru-based Shriram Properties Ltd recently made its entry into the Pune market, through a JDA with a local developer for a 6-acre land parcel at Undri. The company has signed multiple such deals in the last couple of years to grow, while maintaining an asset-light approach.

"We can grow fast while keeping the capital outlay low. The local developer partner can manage the approval process in a market that is new to us," said chairman and managing director M. Murali.

Land prices increased 20-30% over the last 2-3 years on account of higher demand, but seem to have stabilized now.

With the increase in prices, there are not many takers for expensive land parcels, Murali said. However, many developers are combining outright buying and JDA for expansion.

For Ahmedabad-based Arvind Smart Spaces Ltd, a majority of its project portfolio has been expanded through JDAs. It has signed such deals in Ahmedabad and Bengaluru, and Surat, a new market for the company.

"We have strong internal accruals, have a platform with HDFC Capital, and we are in the middle of a fundraise. So, outright land deals are also on our radar. Going forward, we look to source land through both outright (purchase) and JDAs. In FY25, we plan to do business development of ₹5,000 crore," said Kamal Singal, managing director and CEO, Arvind Smart Spaces.