IMPACT OF LAND POLICIES ON HOUSING MARKETS: CASE OF NOIDA, INDIA

Dr. Dipti Parashar  
Associate Professor, School of Architecture and Planning, Sharda University,  
Greater Noida, India

Neeti Thakur  
Associate Professor, School of Architecture and Planning, Sharda University,  
Greater Noida, India

Dr. Mridul Dharwal  
Professor, School of Business Studies, Sharda University,  
Greater Noida, India

Swati Singh  
Assistant Professor, School of Architecture and Planning, Sharda University,  
Greater Noida, India

ABSTRACT

Housing delivery is a major challenge to most developing nations and to facilitate housing, the Government has repeatedly intervened through policies to promote housing especially in urban areas. This paper focuses on land policies and how they impact housing markets by studying the case of Noida – an emerging urban centre in the suburbs of Delhi, the capital of India. In order to facilitate housing delivery, Noida changed its land policy to promote private developers in undertaking delivery of housing projects. The study is based on the evaluation of the approaches under the policy and the impact that they had in land access and ultimately housing delivery and issues that arose as a consequence of the policies. This paper undertakes a study of the provisions of the land policies, analyses the impact of the policies against parameters relevant for the housing markets. The results indicate that the policy had a pro-developer approach and ensured increase in housing supply to cater to the shortage but the approach eventually led to increased relaxations to enable developers access to vital urban land and failed to ensure land cost recoveries, buyer protection and timely deliveries of the housing project. The land policy thus became a tool for builders to attract investments and speculated housing markets which also benefitted the Authorities, the pole bearers for housing delivery to its citizens, based housing on market forces. The result has been that deliveries have been poor with builders have incomplete and also abandoned projects. The study highlights the need to critically think and assess land policies with the focus of ensuring delivery to the
1. INTRODUCTION

Housing delivery is a major challenge for the Indian Government given the continuing housing shortage, more so in the urban areas. To facilitate housing Industry and increase housing supply, the Government has over the years since independence changed its role from being a provider to the facilitator. The government has thus time and again intervened through policies to promote housing within the urban areas and boost the industry. The governments of several urban bodies work under the guiding policies set by the centre. However, as housing and land are State subjects, the policies framed and implemented at the State level play a direct role in impacting the housing industry.

Housing markets revolve around the ambit of housing affordability, land supply and also on the nature of urban planning practices and this has gained increased significance even internationally (Adams, 2011; Austin et al, 2014; Ball 2011; Ball et al, 2009; Cheshire & Hilber, 2017). There exists a dynamic relationship between housing and land prices and there is strong correlation between urban housing markets and the land markets (Du et al, 2011). It has been also been highlighted in India, in the context of New Delhi that land and housing policy have a significant role in urban policy itself (Pugh, 2008). Land and housing delivery are interrelated and has many impacts in terms of improving housing consumption in both quantity and quality, increasing homeownership rate that redefines the social meaning of housing and also allowing housing consumers greater choices and freedom in housing access. (Yang et al, 2012). It plays an important role in deciding the accessibility to housing and ensuring that housing markets are inclusive. Housing markets are dynamic and if supply is restricted results in increased housing prices (Peng & Wheaton, 1994).

Davy (2009) in his study highlights that land rights have to be secure for all and land policy and planning should be directed towards it. However, urban planning seldom follows an equitable path. There is a lot of political dynamics also involved in the practices of housing and land supply (Murphy, 2016). There is often a conflict in the policy formulation that ultimately impacts land and housing supply as well as affordability (Jacobs, 2013; Manzi 2014). Policy knowledge applied especially in the affordable housing policies are inherently seen to be political. In addition legislation is often seen to pose a challenge to the existing planning system (Murphy, 2016). It is imperative that policies are framed to allow local governments to implement inclusionary housing with focus on affordable housing (Jacobus, 2019).

The paper focuses on the qualitative study of the land policies of Noida and the impact of land policies on Housing Industry and Housing markets through an analytical approach. The study highlights and pursues in a systematic manner the issues highlighted in various print media mainly due to the nature of the topic and lack of documented papers on the same and further evaluates them in detail.
2. BACKGROUND OF NOIDA

Noida, located in the state of Uttar Pradesh is a fast developing urban centre within the National Capital Region (NCR) and an important suburb of Delhi. It was developed as an Industrial town under the Uttar Pradesh Industrial Development Act, 1976 to alleviate the urban pressure on Delhi. Though it began as a suburban town, it came into focus upon the establishment of Delhi-Noida-Delhi (DND) toll road connectivity with upstream south Delhi in 2004. Having land in abundance along with proximity to the capital, it fast developed into a hub for Residential, Commercial and the Industrial sector with IT and ITes soft industries based on sectoral layouts.

Initially, Noida had societies that came up in sector 21 and 25 for the Air Force and Navy followed by cooperative societies in sector 36 and 15 for Government officials. Authority employees were also provided residential accommodation in sector 27. This was primarily individual, plotted housing. It was in 1990 that residential accommodation for general public was thought about by the Authority. Builders entered the scene from 1994 with policies framed for enabling their participation in provision of Housing and hence land began to be allotted to builders. Gradually, apartments began to form a part of the cityscape that was originally dominated by plotted low rise housing. The development milestones of Noida and those affecting the growth of Noida can be seen in the timeline Fig 1.

Figure 1 Development Milestones of Noida and Surroundings

2.1. Spatial Distribution of Housing Projects

The focus of the paper is on the last decade and the housing areas developed within Noida for apartments within the past 10-12 years as have been depicted in Fig 2. These have been focused into two pockets, one including Sectors 74, 75, 76, 78, 79, 119 and 120. These are also in close proximity to the Metro rail developed within the last few years. These have plenty of ready to move in as well as upcoming projects. The second pocket is the area along the Noida expressway that connects the cities of Noida and greater Noida located outward as we move away from Delhi. Owing to the six-lane expressway and the proposal of a new airport at Jewar City (about 35 kms from Greater Noida), many high end, high rise residential projects have developed along the expressway in sectors 91, 137, 135 and others complemented with commercial and office buildings as well.

2.2. Land Allotment Polices and Changes

Land is a primary requirement for the building industry to flourish. In the case of Noida, instead of purchasing land directly from owners which were farmers as this was largely agricultural land, the Noida Authority acquires land and provides land within its notified area. Allotments of plots/properties for various land uses are made by the Authority under various
schemes advertised from time to time. Noida Authority allots land pockets of various sizes ranging from 40,000 and 80,000 sq mt under various housing schemes. The plots are generally awarded through a two bid system - technical and financial. It sets down the reserve price for the plots, over and above which bids are made. The land allotment policies of Noida before 2009, prevailing till 2017 and since June 2017 are being evaluated to understand its impact on the housing Industry.

![Figure 2 Masterplan of Noida Showing the Various High Development Sectors](image)

Source: Masterplan of Noida 2021

According to the land allotment policy prior to 2006 that was floated during the SP Government that prevailed in UP from 2003-2007 headed by Mr. Mulayam Singh Yadav, allotees of land in Noida had to deposit 30% of the land cost with the authorities at the time of allotment. In 2009, the land allotment policy was revised under the new Government BSP in Uttar Pradesh led by Ms. Mayawati that prevailed during 2007-2012 and later followed by the Mr. Akhilesh Yadav led government from 2012-2017. This time period that overlaps with these governments is crucial leading to this new policy. Under this policy, which builders who were allotted land had to pay only 10% of the land cost with the authorities. They were also offered a two-year holiday from instalments, during which they did not pay any dues to the Authorities. Developers paid a mere 5% at the time of registration of property and 5% at the time of allotment. A comparison of the provisions under the different land allotment policies of Noida, Uttar Pradesh is placed in table 1.
Table 1 Provisions Under the Different Land Allotment Policies in Noida

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Criterion</th>
<th>Prior to 2006</th>
<th>2006-2017</th>
<th>2017 onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>% of land cost to be deposited with the Authority at the time of allotment</td>
<td>30%</td>
<td>10%</td>
<td>30%</td>
</tr>
<tr>
<td>2</td>
<td>Moratorium to pay instalments</td>
<td>None</td>
<td>Two years instalment holidays</td>
<td>No instalment holidays</td>
</tr>
<tr>
<td>3</td>
<td>Balance Instalments</td>
<td>Start Immediately</td>
<td>Started after two years</td>
<td>To start immediately upon allotment</td>
</tr>
<tr>
<td>4</td>
<td>Registration Amount</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>5</td>
<td>Interest on instalments</td>
<td>-</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Compiled by Authors from the Land allotment policies, Noida Authority, 2009, 2017.

It may be observed that the change in land allotment policy in 2009 had a pro-housing industry approach. However, it benefitted the builders tremendously. It also helped in terms of additional benefits and relaxations offered and thus the building industry and Housing markets saw several new entrants in terms of builder groups bidding for land for housing development.

3. CHANGES IN THE PROPERTY MARKET DUE TO LAND ALLOTMENT POLICIES

The changes in the land allotment policies had a major impact on the housing industry. The direct and indirect stakeholders were also influenced by the changes in the land policy.

3.1. Increase in Builders Groups Participating

Due to the policy, several builders came forth to bid for the various land pockets available. These can be categorized as: (i). Builders of high net credit worth who bid for the large projects varying from plot sizes 15-30 Ha. (ii). Builders with moderate net credit worth who bid for projects varying from 7 Ha to 14 Ha. and (iii) Builders with low net credit worth- bid for small projects less than 7 Ha. Builders of high net credit worth not only bid for large projects also for a number of projects. This was made possible by the 10% rule facilitating the builder to launch projects and move onto the next. As a result, though several projects were launched, investments diversified amongst projects which impacted deliveries. This also created a vicious circle of hoarding lands. Builders with low net credit worth were new with limited experience who wanted to cash on the 10% scheme.

3.2. Increase in Population and Housing Supply

According to a report by JLL, the Noida housing market would require ten times more supply of units in 2019 as compared to 2009 as can be seen in table 2 indicating an addition of almost 2 lakh units to cater to a projected population of 7.7 lakhs. This includes only the housing units delivered by private builders. Such huge housing stock was required to be backed by demand and efficient deliveries. Due to the huge projections, Noida Masterplan initially forecasted for the period of 2021 was revised with a projection horizon of 2031. The projected population of the master plan of Noida for 2031 is 25 lakhs, of which 14 lakhs would have been delivered by the end of 2019 which would mean that 56% of the target population of 2031 within 10 years, indicating that there is no sync between the spatial Masterplan that holds legal sanctity with the housing developments proposed in the city. As per the Masterplan,
Noida was to achieve a population of 12 lakhs in 2021. A steep increase in supply in units was projected from 2014 to 2016. However, many of these projects were not delivered and several it was noted had not even commenced.

### Table 2 Projected Population and Housing Supply of Noida

<table>
<thead>
<tr>
<th>Expected Completion Year*</th>
<th>Units completed/to be completed</th>
<th>Population to cater**</th>
<th>Cumulative addition of units</th>
<th>Cumulative addition of Population</th>
<th>% age growth in Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1924</td>
<td>7696</td>
<td>1924</td>
<td>7696</td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>808</td>
<td>3232</td>
<td>2732</td>
<td>10928</td>
<td>42%</td>
</tr>
<tr>
<td>2011</td>
<td>644</td>
<td>2376</td>
<td>3376</td>
<td>13504</td>
<td>75%</td>
</tr>
<tr>
<td>2012</td>
<td>4730</td>
<td>18920</td>
<td>8106</td>
<td>32424</td>
<td>321%</td>
</tr>
<tr>
<td>2013</td>
<td>5348</td>
<td>21392</td>
<td>13454</td>
<td>53816</td>
<td>599%</td>
</tr>
<tr>
<td>2014</td>
<td>32296</td>
<td>129184</td>
<td>45750</td>
<td>183000</td>
<td>2278%</td>
</tr>
<tr>
<td>2015</td>
<td>76106</td>
<td>304424</td>
<td>121856</td>
<td>487424</td>
<td>6233%</td>
</tr>
<tr>
<td>2016</td>
<td>36471</td>
<td>145884</td>
<td>158327</td>
<td>633308</td>
<td>8129%</td>
</tr>
<tr>
<td>2017</td>
<td>22275</td>
<td>89100</td>
<td>180602</td>
<td>722408</td>
<td>9287%</td>
</tr>
<tr>
<td>2018</td>
<td>10359</td>
<td>41436</td>
<td>190961</td>
<td>763844</td>
<td>9825%</td>
</tr>
<tr>
<td>2019</td>
<td>3360</td>
<td>13440</td>
<td>194321</td>
<td>777284</td>
<td>10000%</td>
</tr>
</tbody>
</table>

* Expected year of completion as quoted by builders  
**Considering an average household size of 4 members.

Source: Noida: Looking Back on Four Decades of Futuristic Growth, JLL, 2016

### 3.3. Increase in Reserve Prices of Authority & Growth in Property Rates

As indicated in table 3 below, when the first allotment policy was introduced, the reserve price by the Authority was Rs.5740/m². This was an auction during which the land was sold at the rate of Rs. 11,520/-/m². This was a 200% increase against the base price. Consequently, the Authority recognized the rising demand by builders for land and in less than a year, they revised the reserve rates to Rs. 12,000/-/m². At this time they also introduced the dual selection criteria- based on technical as well as financial feasibility. It may be observed from the table that between the years 2006 to 2011, the reserve price by the authority increased 400 times whereas the purchase rate by builders increased 200 times during the same duration. The Authority thus increased land rates at par with the market rates continuously. These rates are then claimed loaded by the builder onto the end user. Thus a direct implication of this is the increase of housing rates.

### Table 3 Reserve Prices of Land for Group Housing

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Reserve Price in Rs./m² by Authority</td>
<td>5740</td>
<td>12000</td>
<td>20400</td>
<td>20400</td>
<td>22400*</td>
<td>22400</td>
</tr>
<tr>
<td>Average Purchase Rate in Rs./m² by Builder</td>
<td>11520</td>
<td>17450</td>
<td>21000</td>
<td>21001</td>
<td>23575</td>
<td>23640</td>
</tr>
</tbody>
</table>

*Rates went upto 31680

Source: Noida Authority website
4. IMPACT OF THE LAND POLICIES ON HOUSING MARKETS
The proposed policies had a direct impact on the Housing delivery and the markets. Some of the most important impacts are listed hereunder:

4.1. Increase in Property Prices
The earliest recorded property prices in Noida were Rs. 100-150/sq.mtr for residential plots (row housing) in 1970s through to the 1980s. Gradually, multi-storeyed houses were introduced through cooperative housing societies. These were affordably priced at Rs. 1,200-1,700/sq.ft. in the 1990s. Over the next decade, prices jumped by nearly 60-70% and were largely in the Rs. 3,000-3,500/sq.ft. range in 2010. With projects nearing completion, prices in 2016-17 reached Rs. 5,200–5,600/sq/ft (range of Rs. 6,000-7,500/sq/ft upto 18,000/sq ft for premium housing) sectors are priced much higher and are currently priced in the range of Rs. 13,000-18,000/sq.ft.

4.2. Poor Delivery of Projects
The major impact of the policies has been on project deliveries. As per the latest data, 50% of these projects have not yet been completed as scheduled. Some of the projects had not even started yet. Even after 10 years of the policy, around 50,000 units were still to be delivered as scheduled. Further, delays have resulted in cost over runs that have resulted in poor construction qualities. Funds have been a problem for real estate companies, as they are ironically unable to collect more money because the incomplete projects have kept buyers away. Though one of the factors for delay was the agitation by farmers whose land had been acquired. The National Green Tribunal (NGT) banning (Oct 2013) of construction, which led to possession delays, also kept buyers away (lifted in Aug 2015). All of this created a poor impression of the housing scenario.

4.3. Outstanding Dues
Outstanding dues of the Noida, Greater Noida and YEIDA amount to Rs 25,000 crore as of 2015. As an economic model, the policy failed tremendously as most builders defaulted in their land installments. The Builders have also been defaulters of other financial institutions. The situation is grim as recently several builders filed for bankruptcy, creating a further bleak situation for the buyers as the policy resulted in multi level failures. Further, the picture portrayed by the highly incomplete projects gives a poor urban visual of the city that is likely to remain so for the next decade until the situation is resolved at all levels.

4.4. Mitigation Initiatives
Faced with the growing uncertainties of projects, its deliveries and given the outstanding dues, the Authorities at both the State and Central level have undertaken several initiatives as under:

4.4.1. Exit Policy/ Project Settlement Policy
The Authority approved a project Settlement policy in Dec 2016 under which realtors were given an exit route from projects they are unable to execute. This was because many realtors turned defaulters, due to outstanding dues and also due to dip in sales of flats. The builder could exit a housing project in which construction on the allotted plot was not started. Forty-one realtors in Noida had applied for relief under the policy. However, not a single sick project has been revived and the policy fails in addressing the concerns of homebuyers. The land in question is yet to be developed but flats have been sold out to buyers.
4.4.2. Real Estate Regulatory Authority (RERA) Act

The Indian Parliament considers the RERA Act as one of the landmark legislations passed towards the regulation of real estate. Its objective is to address grievances of buyers and to bring transparency and accountability in country’s real estate sector. The law ensures that realty project is completed in time and increases the accountability of the builders. However, the Act was modified at the State level as housing is a State subject and saved most builders from its harsh clauses.

5. CONCLUSIONS

The reserve prices of the land pockets for allotment by The Noida Authority increased tremendously by 400% within a span of 6 years. This played a big role in increasing the cost of housing, thereby increasing property rates and further increasing investments. The study shows that the Authority has led itself by the market. However, housing is a social good and a basic necessity for all. It is thus crucial that the Government acts as a wise facilitator and ensures that market rates are steady, to promote efficient deliveries and ensure that end users obtain the housing by timely completion of projects. When the market rises sharply, it invites a lot of speculation and attracts investors too. The developers also are in a profit making mode and ultimately the high-paying end user often has to face the uncertainty of undelivered projects due to land policies which further enable builders to focus on investments rather on deliveries. The land allotment policies of Noida were pro-builders but created a problem for authorities to collect back dues. No mechanism or phasing of policy was done to ensure timely deliveries. When policies result and envisage huge impacts on the city, there is a need to conduct feasibility tests and also controlled at the Central level to curb distortion of the purpose of the policy. Currently the Housing market is low with builders filing for bankruptcy and homebuyers seeing no way out for ensuring their home deliveries. The situation has necessitated urgent Government involvement not only in mitigating the current situation but also in ensuring a steady and secure market for future investments of homebuyers.

REFERENCES


