

LAND : SCENARIO

Kolkata – West Bengal



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Land is always a critical asset as it yields higher return on investment over time. But, how does one put a price tag to a parcel of land? Well, the value of a vacant patch of land is nothing but the monetary cost which can be generated after the development of that land. Of course, this value or the price of a land parcel hinges on a clutch of factors, including location and land-use regulations, accessibility, social infrastructure, the demand-supply situation at that juncture in that locality, prevailing price band, etc.

“Nonetheless, land prices in general are usually educated by whether the plot is being perceived as to be used for self-use or for commercial development. Once in a while, a one-off big-ticket transaction happens on a particular plot, usually in a prime/posh locality, say a Queens Park, Belvedere Road or EM Bypass with the deal riding heavily on the aspiration factor. In such cases, the prevailing price ceilings are often smashed and one can get stratospheric,”

observes

Jitendra Khaitan, Managing Director, Pioneer Property Management Ltd.

However, say in an area like Garia, Joka, BT Road or Behala, land transactions would typically happen with the purpose of real estate development, guided by established pricing parameters and the usual markers, like land use and market conditions, circle rate, existing property prices in the locality and the like.

SO, WHAT ARE THE FACTORS AFFECTING LAND VALUE?

These factors can be broadly classified into:

Land use and accessibility



Location and physical attributes



Prevailing prices in the locality



Market value



HERE IS A MORE DETAILED LOOK AT THE CONTRIBUTING FACTORS:

Physical attributes: The elements that would come under this head would be the importance of the location, the topography including water table, existing sewage and storm water drainage systems, road network, etc.

Accessibility: A land parcel close to the hub of economic activity which can be easily accessed, will always fetch a high value. For instance, the costliest pieces of land would mostly be in the heart of a metro city. It helps people to cut down on commuting time and costs, which then go into savings.

Permitted land use: The usage permit granted for the plot in question carries huge weightage. Land that is granted commercial usage permit including offices & malls, will always fetch a significantly higher price than a parcel earmarked for residential real estate development, keeping in mind the long-term returns on commercial-use land. Upcoming greenfield or brownfield projects in the area can also play a role in determining future prices.

Demand & supply: When a city's population swells, there's an elevated need for economic and allied activities, which automatically fuels a higher demand for land. This will always make existing land parcels in prime locations even pricier

Location advantage: Just like land located close to economic activities will command a high value, the same holds true for transport linkages for ease of mobility and ambient greenery. Hence location advantage in terms of a reliable transport infrastructure and smooth movement, coupled with a soothing environment, could play a key role in determining land prices.

Controls & bye laws: The value of land is often defined to a large extent by the regulations and restrictions slapped on its usage. Permission for construction is granted on the basis of a raft of legislations including land use and land tax, floor area ratio or FAR, premise level use and various other regulations that govern usage nod.

Prevailing property prices: The price of land, particularly in big cities, is largely dependent on the market dynamics at that point in that area, which would determine the existing market price. This also hinges on similar transactions completed in the vicinity and the paying capacity of the buyer.

In Kolkata and its fringes, land prices have steadily increased over the years and are almost unrecognizable from the benchmarks set 20 years ago. The rise has been as steep as over 500% in some of the upscale locations, swimming against the tide of real estate market slowdown over the past few years.

There have been a string of big-ticket land deals over the past two decades – from the Emaar MGF and Apeejay Group transactions on the EM Bypass to the BediBhavan plot in Golpark going to the Ffort group to the Rasoi Factory premises deal to LIC's blockbuster buy near Science City to Dhoot Developers' huge foray into Salt Lake to Sourav Ganguly's recent prime property purchase, Phoenix Mills' recent acquisition of 7.48 acres of land parcel at Rs 300 crore on Diamond Harbour Road in Alipore, and many more.

More often than not, the government agencies like KMDA, KMC and Hidco have been putting prime land parcels on the block and laughing their way to the bank, since they are mostly the custodians of prized plots and large land banks are scarcely held by private players here in West Bengal.