

THE ECONOMIC TIMES

17 Sep, 2011, 06.02AM IST, TNN

Land Acquisition Bill:

Will new land law hurt realty sector?

The new land policy cleared by Union Cabinet could lead to a big gap between demand and supply. Paying compensation four times the highest amount of registered sale in the area in last three years is only going to increase the cost of setting up the industrial establishments, infrastructural projects and townships, believe real estate firms.

If the bill is passed in its proposed form, it will badly hurt the realty sector and urban development, apart from, practically, ending the dreams of affordable housing for the middle class segment.

The new bill, meant to replace the 117-year-old Land Acquisition Bill of 1894, which has been introduced in Parliament, will mean private companies will have to give relief and rehabilitation packages to displaced people even if they directly buy land from landowners, for all transactions over 50 acres in urban areas and 100 acres in rural areas.

There is still confusion and dissatisfaction over acceptance of new land bill by real estate firms. The Confederation of Indian Industry (CII) has already expressed concern over the appreciation value set in the Land Acquisition Bill and said that the proposed value would make land cost economically unviable for industries.

Navin M Raheja, the chairman and managing director of the Raheja Group and chairman of Assocham, says: "Acquisition of land with consent of landowners is a welcome step. But paying compensation four times the best of the registered sale in the area in last three years is only going to increase the cost of setting up the industrial establishments, infrastructural projects and townships. This could also lead to a big gap between demand and supply. There must be an open debate of all the stakeholders like the industry, the government, the landowners and also the media device a path which is transparent and pragmatic."

"States should be required to put up land for development on e-portals (land offers for development projects) through a website or any other mechanism accessible by everyone, where the landowners can collectively offer their land for sale with the price demanded, so that the industry and the government are free to negotiate with farmers," Raheja said.

Pankaj Bajaj, the president of CREDAI (NCR) opposed the proposed relief and rehabilitation package, and said: "The new bill will badly hurt the realty sector and urban development, apart from practically ending the dreams of affordable housing for middle-class segments, as provision of the Land Acquisition Bill make homes for the common man much more costly. Relief and rehabilitation package for private companies should be done away with. Acquiring private pockets in a housing project should be defined as public purposes."

Rakesh Yadav, the managing director of the Antriksh Group, says: "Apart from real estate firms, the cost of production of industrial units will also go up due to high capital cost of setting up factories. The financing of these activities will be tough, too, as there are no norms for financing the land cost."

Mohit Arora, the director of Supertech Group, says: "In most cities like the metros, Tier 2 & 3 cities, government-acquired land for infrastructure and industrial development, the burden and cost of social and industrial development will be considerably enhanced through this bill. As a result, the infrastructure and industrial development will become slow and expensive."

Prasant Solomon, joint managing director of Chintels India Ltd (which has the largest land bank of 400 acres in Dwarka-Gurgaon Expressway), says: "This policy will also adversely affect the real estate development as additional burden of land cost will make housing expensive. In fact, land in the open market too would become expensive."

Impact of new bill

As far as the farmers are concerned, it is the best time for them to encash upon this opportunity, especially in the NCR's Noida-Greater Noida, Gurgaon, and Faridabad areas. Having gained great visibility after the current land row, the farmers of Noida and Greater Noida are trying to encash in upon the government's pro-farmer mood and obtain the best possible compensation for their lands, which have been acquired by the authorities concerned.