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## COMPARATIVE ANALYSIS OF SELECTED PARAMETERS FOR RESIDENTIAL PROPERTIES SOLD BY DIFFERENT BUILDERS IN PUNE

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### Abstract

The property market in India has traditionally been unorganized and fragmented. The impact of Global Oil Crisis was also noticeable in Indian Real Estate Sector. However, the recent past has seen a consolidation of positions in the market as developers are stretching their capacities to the maximum in order to meet the growing market demand, which in turn has encouraged large projects with sourced financing. The IPOs by large real estate developers like Sobha, Raheja and DLF have led to organization of the market in the Tier I cities, but the Tier II and Tier III cities still demonstrate the traits of an unorganized market. While the scenario is different in certain developing countries. Whilst the Indian real estate market still lacks transparency and liquidity compared to more mature real estate markets, the increasing requirements of multinational occupiers, as well as the influx of international property consultancies has led to the introduction of greater availability of market information, both in published and private form pushing the sector to an organized market form. Driving Forces Stated below are the reasons that have led to the real estate boom in the country.

**Keywords:** *Unorganized, Real Estate, Liquidity, Developers*

### Introduction:

The Indian real estate sector has factors such as the demography and the development of infrastructure, which work to attract further investment. But the current Oil Crisis has limited the resources and investors in this sector. The organized real estate scenario in the country has managed to attract the attention of the FDIs in the country. As per the estimation of the experts', FDI in real estate will grow from \$4 billion to \$25 billion in the next decade. In fact, a report from the UN has declared that India ranks next only to China and the US, among the list of most favoured investment

destination. It is estimated that the FDI inflow to the real estate sector will increase by 20% during the financial year 2012-13.

The Indian real estate market has seen a sharp upturn in the recent years. Even when the world economy was reeling from the aftershock of the huge recession that hit hard even some of the largest & leading economy, the Indian real estate market remained immune to the downturn that was seen in almost every other sector. The real estate sector witnessed and is still getting investment from a large number of investors of both India and abroad. It has been a golden harvest even in this turbulent financial market. For most investors, real estate has been a refuge from the burn most bear due to the downturn in almost every other sector. The question arises what kept the real estate such a prosperous option even during a time when every other investment option seemed such a huge risk. Studies have revealed the transparency in the way the real estate sector works and the strong legal rules guiding almost every aspect governing investments in this sector irrespective of the country being talked about has made it a great option for the investors. With India becoming one of the major targets for the Foreign Direct Investors from countries like Oman, Japan etc. the need for new property is on the rise. People need more residential complexes, places to build shopping malls, offices, industries, and even agricultural lands. And they need these in proper locations which will benefit the business. Thus the demand for real estate properties at some of the key locations within the country skyrocketed within a few years.

The study aimed at finding out the specifications of different projects of builders in Pune and carrying out a comparative analysis between them. The competitors in the Real Estate industry were identified & demand and supply was forecasted. For the purpose of the study, the researcher selected specific areas of Pune city of the state of Maharashtra and targeted 14 respondents on the basis of non-probability random sampling which involved different kinds of projects like Budget homes, compact houses, ultra-modern homes, luxurious housing, lifestyle projects etc. as universe. From over 200 projects the study was narrowed down to 14 potential projects having similar unit size & product mix which comprised of the sample frame. Simple Random Sampling was used to select the list of specified builders and data was obtained from them regarding their project. Thus the total population constituted of total number of projects on Sinhgad Road which were more than 200 in number. The data analysis revealed gradation of different projects considered in comparison. This gradation was calculated for each project & the researcher also studied its effect on the rate. The researcher found that based on gradation a particular rate was validated, which most of the builders exceeded while setting the price for their product. The key takeaways included resourceful data from 14 projects visited by the researcher having different unit sizes, flat areas, rates & amenities.

## **Literature Review**

In the article titled, 'Excerpts from a discussion about Global Real Estate' the author R Jagannathan is of the opinion that real estate developers had hoped that the election of a stable government would boost their fortunes. It's been six months since then, but there has been no noticeable change in demand. Unsold inventory continues to pile up across the country. High interest rates and a sluggish sub-5 percent GDP growth in FY14 have resulted in people holding on to their purse strings. The fallout is that real estate prices have barely budged over the last two years. But sentiment is picking up, and cities like Bangalore have developed a vibrant and healthy real estate market. As part of the sixth session of the 'Forbes India CEO Dialogues: The Leadership Agenda', industry leaders shared their views on the steps needed to revive the sector. They also discussed a roadmap to get the sector growing again. Developers on the panel believed that there would be an uptick in prices within six months, once there is a correction of interest rates. Financiers, however, said that this is at least 12-18 months away.

In the article titled, 'Safety in Indian Construction' from the journal 'International Journal of Engineering Research & Technology (IJERT)', the author depicts the current scenario of Indian labours working the construction industry in terms of health and safety issues. It gives a comparison on the safety principle vs the ground realities happening daily at site. Indicating clearly the need of the professionals to take the responsibility in getting acknowledge the various safety and health rules, regulations, acts and principle at the same time creating the awareness among the each other and train the industry for the betterment of the projects and humanity.

In the article titled, 'Real Estate: Is it really a developing sector?' the author comments that Real Estate sector has been stagnant and unregulated for years now. Rising prices of property, delayed construction, no clarity on Foreign Direct Investment and REITS, ghost buyers are some of problems crippling the growth of the sector. But with the various ambitious projects announced by the new Government there's a silver lining. From the nations during the financial year 2014-15, India received FDI of USD 19.78 billion. Moreover, FDI in India increased by 27% in 2014-15 to USD 30.93 billion. But a recent FICCI survey of the year 2015 (Impact of FDI reforms in the Indian real estate sector) shows how disoriented the sector still is. Though there has been overall growth in FDI in the sector, FDI in construction development sector has declined over the past few years. The following table shows that.

### Limitations of Study

- Findings from the information collected are applicable only for specific region of Pune, Maharashtra and may change with the location under consideration.
- Data analysis is based on the information provided by the sales executives at the site office and may vary from actual.
- Non-cooperation of the emerging builders new to this industry in some cases also added to certain biased results and assumed conclusions.

### Research Design & Methodology

Since the main aim of the project was to find the different equipment used in construction industry and also analyse the competition faced by Perennial Technologies in the rental industry by studying the statistics and frequencies of data collected, statistical or descriptive research was used. Also this type of research was selected because the researcher wanted to gain better understanding of market scenario and also study 'rental penetration.'

**Universe:** For the purpose of the study, the researcher selected the Pune city of India on the basis of judgmental sampling and targeted 100 residential properties of different builders on the basis of non-probability random sampling.

**Sampling Frame:** Selected Urban hubs of Pune comprising of areas like of Sinhgad Road, Kothrud, Bavdhan, Karvenagar, Kharadi, Wanowrie, Undri, Pashan, Baner, Hinjewadi containing over 250 projects out of which the researcher narrowed down to 12 potential respondents having property value above 50lacs.

**Sampling Method:** For the purpose of the study the researcher used Simple Random Sampling to select the potential list of projects based on parameters like Location, Budget of Project, Accessibility, Goodwill of Company and Gradation and tried to obtain data from them regarding residential property sold.

**Sample Unit:** Each unit belonging to Residential property on Sinhgad Road consisting of budget homes, luxurious projects, as well as projects by emerging builders was treated as a sample unit.

**Sample Size:** The sample size of 12 residential projects was selected by the researcher taking due care that there is due representation from each category i.e. budget homes, luxurious houses, lifestyle projects.

## Data Analysis

**Table 1: Actual Rate comparison with rate on the basis of Gradation**

PROJECTS	Total Points	Gradation	Actual Rate	Rate on the basis of gradation	Difference is rate with actual
A	310	9	7500	6750	750
B	340	10	7500	7500	0
C	80	2	5900	1500	4400
D	105	3	7800	2250	5550
E	215	6	5300	4500	800
F	220	6	6500	4500	2000
G	265	8	9000	6000	3000
H	170	5	6000	3750	2250
I	140	4	6571	3088	3483
J	85	3	6110	1875	4235
K	115	3	4800	2250	2550
L	184	5	8500	3750	4750

The above statistics was derived from the sample size i.e. the total number of projects visited by studying the various parameters considered by each of them and grading them into numerical values adding up to total points. Following observations were most prominent.

- While performing analysis it was observed that B project scored maximum points, 340 in total comparing all amenities, specifications and standards with other projects.
- On the other hand it was J which scored only 85 points being the least.
- Next in line, the project quite comparable to the best amongst the projects surveyed was A which accounted upto 310 points.
- Whereas on the downside, the project which scored next to minimum points was C adding up to 80 points.
- Rest all projects in the range of 85-310, had average amenities, luxuries and specifications.

### **Interpretation of Data**

From the data analyzed above it can be interpreted that Project B being the standard project under consideration, the specifications & amenities of other projects when compared with the same and gradation calculated, the gradation of Project A is second in line after the standard, followed by Project G. This indicates that Projects B, A and G are the top line luxurious & lifestyle projects which are most preferred by people willing to invest into housing an amount more than 1 Cr. On the other hand the gradation of Projects C, J and D being the least and these projects although being preferred by a mass of people whose housing requirement it can cater best, does not justify the rate charged for the amenities & specifications provided.

### **Application of Statistical Tool: GRADATION**

- $GRADATION = (COMPETITORS\ TOTAL\ POINTS \times 10) / POINTS\ OF\ STANDARD\ PROJECT\ CONSIDERED$
- $RATE\ ON\ BASIS\ OF\ GRADATION = (RATE\ OF\ STANDARD\ PROJECT\ CONSIDER / GRADATION\ OF\ STANDARD\ PROJECT\ CONSIDER) \times COMPETATIVE\ GRADATION$
- Points of Standard Project = 340
- Competitors Total Points = 265 (Project G)

$$GRADATION = (265 \times 10) / 340 = 7.79 \sim = 8$$

$$RATE\ ON\ BASIS\ OF\ GRADATION = (7500 / 10) \times 8 = 6000$$

Thus the gradation of the project G is 8 & rate on the basis of Gradation is Rs. 6000/ sq. ft.

### **Findings:**

The data collected for different projects on Sinhgad Road, comparing different parameters like possession, availability, specifications & amenities shows that there are many reputed builders in the real estate industry of India & are into a break neck competition with each other due to Global recession. Each one has their own unique selling point while but upon a comparative analysis of standardized parameters for a home buyer on Sinhgad Road, following findings are vital:

- There is a lot of customization in the basic specification and amenities offered by different builders.
- Italian marble flooring being the most expensive on is provided by very few builders.
- Also provision for mood lighting and clear 10 feet ceiling height is hardly considered by any other builder other than builder of projects A & B.

- Just two projects have an integrated township approach from the sample size considered, whereas rest all projects provide standalone societies.
- Not all builders are charging a price which matches the gradation calculated & are overcharging their clients.
- Out of the total projects considered vertical expansion is observed only in case of two projects whereas rest all are following the traditional construction approach.
- Also upgraded Mivan construction technology using alo-form technique is observed to be followed by very few builders.
- The distribution of area inside the flat as well as the share of common area is not clearly specified by many reputed builders other than Project A & B.

### **Conclusion:**

Out of all the projects observed & compared on Sinhgad Road, the projects developed by Developer A & B are quality projects and offer an upgraded lifestyle due to upgraded specifications and amenities. It gradation being the highest, it is preferred by majority of people looking for lavish lifestyle on Sinhgad Road. The most important parameter which this builder excels in is that it provides 30 years construction warranty & 10 years leakage warranty in writing, which none other builder provides. Also it does not ignore the complaints and grievances of its clients and has a customer care department dedicated to solving every single query within maximum 8 days. This builder not only believes in just housing but it practices 'wealth creation' & in the process tries to give pure delight to its clients.

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