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From DLF to Lodha and Godrej, builders are testing new cities



Top developers are entering new markets for residential projects, as rising urbanization and an expanding middle class fuel a housing boom.

Developers are exploring opportunities particularly in cities such as Hyderabad, Pune, Bengaluru and Gurugram that have seen high sales.

Mumbai-based Godrej Properties Ltd this week acquired 12.5 acres in Hyderabad's Rajendra Nagar locality to develop a premium residential project, marking its entry into the city. Shriram Properties Ltd, which has so far focused on South India, is entering Pune with a mid-market housing project in suburban Undri. It has signed a development management agreement with the landowner for the project.

"The residential market is buoyant, and Pune is the second-best property market today in terms of sales. It is also a city which is similar to Bengaluru, a market we know well, in terms of demand and customer profile. The sector has seen a lot of consolidation, and larger developers have a good opportunity to expand and grow in newer cities," said M. Murali, chairman and managing director, Shriram Properties.

Operating in Hyderabad would give Godrej Properties—one of the few developers operating in multiple cities—an opportunity to be present across key property markets in the country.

"Hyderabad is one of the fastest growing residential markets, where demand is high but the quality of supply is lacking," Gaurav Pandey, managing director and chief executive officer of Godrej Properties, said in a recent interview with Mint.

In the past, some developers had entered new markets but with little success, prompting them to focus back on their core markets.

Anuj Puri, chairman of property advisory Anarock Group, said the demand for homes built

by branded developers has gone up significantly in the past few years. This is helping many large developers to succeed in new geographies.

"Listed developers, particularly southern and western India-based players, are expanding as part of their diversification strategy amid strong sales. They have gained more confidence not only because of their strong balance sheets, but also because many of these markets are doing very well in terms of demand," Puri added.

Macrotech Developers Ltd, which operates under the Lodha brand and has so far focused on the Mumbai Metropolitan Region and Pune, pre-launched its first project in Bengaluru last November. The entire inventory of the first phase was sold out in the first three days. It is looking to now launch its second project in the city. The company is also evaluating a fourth city that it may enter in the future to expand, the management said in an analyst call recently.

This year, Gurugram-based DLF Ltd will launch its first project in Mumbai, a market it had exited after selling off a land parcel to Macrotech Developers nearly 12 years ago. The re-entry of India's largest developer into a competitive market like Mumbai is significant, said property analysts. Similarly, Oberoi Realty Ltd, a Mumbai-focused developer known for its high-end projects, bought a land parcel in Gurugram in November, to diversify its presence.

Most developers are buying land, taking over projects of distressed developers or partnering with smaller local developers to venture into newer locations.

Traditionally, real estate has been a locally driven business with buyers favouring developers that are strong in their markets. While things are gradually changing now, developers that are unfamiliar with or not established in a particular market still face local competition. Their product offerings must be differentiated and superior to attract buyers.

Puri says large developers are finding their way to success even in newer markets and there is a distinct preference for strong national brands among home buyers.

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Builders tap new cities as housing sees new boom

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Developers see expanding middle class as an opportunity for real estate. MINT

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