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# Housing to get costlier due to Smart Cities? What you really need to know

Smart cities are expected to act as a catalyst in improving the quality of life and have a significant impact on real estate.

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At a time when the Modi government is keen on making housing cheaper with its thrust on affordable housing and its mission to provide Housing for All by 2022, the recent remark by Vice President Venkaiah Naidu that “people should get ready to pay more if they want access to smart city facilities in India” has made many people wonder – will smart cities make housing costlier? And if that is the case, then how will the common people get benefited and what is the need for smart cities?

Industry experts say that the Modi government had declared development of 100 smart cities across India with an aim to improve the ‘Quality of Life’ of the common man in India. This has opened up doors of opportunities for various industries and sectors such as IT, communication, infrastructure, construction, and real estate, to name a few. In order to attract these industries, these cities would have to improve the quality of life by providing better transportation systems, adequate water and power supply, waste management systems, efficient public transport, schools, affordable housing, safety and security of citizens, particularly women and children etc. Smart cities would also develop areas based on development planning for unplanned areas containing a range of compatible activities and land use close to one another to make the land use more efficient.

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Smart cities are expected to act as a catalyst in improving the quality of life and have a significant impact on real estate. “Smart cities will create more job opportunities which will facilitate the economic development of urban centres. Expansion of physical as well as information and communication infrastructure will generate more employment opportunities and improve the standard of living for residents. With allocation of land and capital, affordable homes will receive a significant impetus from the smart cities. The synergy of public and private spheres through partnerships will play a key role in the building of smart cities. They will be instrumental in gathering the necessary finances and efficient delivery of utilities and services,” says Varghese Abraham, Director-Office Services, Colliers International India.

These initiatives will kick start a pooling of capital from private enterprises and developers towards joint ventures within the smart cities. The office space market will be a direct beneficiary of improved infrastructure and connectivity promised by smart cities initiatives. Moreover, the development of smart cities will also push the demand from other asset classes such as hotels, service apartments and shopping malls. As more homes are built for lower income groups, fresh demand will be created, thus energising the residential market.

With increase in opportunities in various industries, these smart cities would witness floating population that would improve the demand for homes. This demand would create an increase in the supply along with the option of setting up options for housing that is smart in terms of utilization in these cities. Thus, “with increased demand, housing will become costlier in smart cities. It is customary that residential prices appreciate with the availability of better amenities, facilities and infrastructure. As the Smart Cities Mission promises better liveability standards for citizens, cost of housing is likely to escalate especially in Tier I and Tier II cities. As the residential real estate climate is changing in India, reduced number of launches and mandatory RERA compliance may also contribute to the price rise along with smart cities,” says Abraham.

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According to property developers, the increase or decrease in the cost of housing is dependent on 3-4 major factors: land cost, approval cost, cost of raw material, cost of labour and taxes, among others. “There has been a consistent increase, year on year, in these costs. Therefore, I feel that the rates can only go up with the passage of time. The appreciation in property is also dependent on the type of development within the city, which includes infrastructure in terms of amenities, connectivity, retail and commercial development etc. Since smart cities are extensively looking at all these measures, property prices are bound to see an appreciation,” says Anupam Varshney, Head-Sales and Marketing, Vatika Ltd.

Some other developers say that while smart cities will definitely make housing costlier, the economic benefits of a smart city would outweigh the incremental costs.

Pankaj Bansal, Director of the M3M Group, for instance, says the key objective of Smart Cities Mission is to drive economic growth and improve the quality of life of people by enabling optimal area development and harnessing technology that leads to smart outcomes. With the rapid urbanization and increasing GDP of the country, there is an ever-increasing demand for better quality of living standards. The development of smart cities will create a modern infrastructural network that will encourage private enterprises to develop better world-class residential and commercial developments in the future within these environments.

“The Indian experiment with smart city development is, however, at a nascent stage and it would be a little premature to quantify the incremental costs of development, if any. More particularly the impact on the cost would depend on the nature and number of smart solutions being adopted for the smart city. However, while quality infrastructure & technology will no doubt come at a price, the economic benefits of a smart city would certainly outweigh the incremental costs,” informs Bansal.