

Inside story

Lodha to Use IPO Model to Sell Apartments in Mumbai Project

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Lodha to Sell Lower Parel Project through 'IPO' Model

Builder to offer flats through a 'draw' at rates 50% lower than those in the area

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MUMBAI

An initial public offer for buying residential apartments? Yes, you've read it right. Mumbai-based Lodha Group is using an innovative IPO allotment-like automated algorithm system to sell apartments at its latest 17.5-acre premium project at Lower Parel in central Mumbai.

The draws to sell residential apartments is nothing new and government agencies like MHADA and DDA have done it for years in the past. But this is for the first time that a private builder has adopted this strategy and, in this case, for high-end premium apartments.

Unlike earlier projects, Lodha is not charging premium for a specific view and, therefore, also not promising one. Based on application, the system will be given inputs like typology, floor preference and, most importantly, the ticket price range. Based on these inputs, the automated pre-programmed algorithm system will allot an apartment to a buyer.

"We are making this a very open and transparent process. There won't be different rates and terms for any customer. The pricing is almost 45-50% lower than the ticket price for any three or four-bedroom

apartments available in the vicinity. We hope to get a solid response to our offering," said MD Abhishek Lodha.

When asked if there's a possibility of more investors entering the project other than just end-users, Lodha clarified that the buyer won't be allowed to sell an apartment until the possession formalities are over.

In the backdrop of a sluggish scenario in realty market, developers are pulling all stops to improve sales volumes. According to property consultants, given the large size of the Mumbai Textile Mills plot, Lodha is getting the flexibility to use volume strategy even in the luxury product segment.

The proposed project Blue Moon is coming up on the Mumbai Textile Mills plot which Lodha recently acquired from DLF for ₹2,725 crore. The builder is currently launching two towers out of a total six that are planned on this plot. The offer will remain open from January 18 to 27 for prospective customers. Under this launch, customers can bid for four typologies covering 2-bedroom spread over around 1,370 sq ft, 3-bedroom of 1,670 sq ft and 2,000 sq ft sizes and 4-bedroom apartments of around 2,300 sq ft. The special pre-launch pricing for a 2-bedroom apartment will start at around

₹3.5 crore, a 3-bedroom flat for ₹4.5 crore, while a 4-bedroom will be for ₹6.75 crore.

Around 500 apartments will be launched under this offering and Lodha expects total bookings of nearly ₹3,000 crore though this first phase. Certain special limited apartments will not be released in this offer, he added. Construction of the project has already started and Lodha expects it to be delivered by 2017.

According to property consultants, Lodha's pricing is aggressive compared with other projects in central Mumbai, especially Lower Parel and Worli and the ticket sizes are nearly similar to those currently offered in suburbs like Andheri and Vile Parle.

"It will be interesting to check the exact response to the product later. If it turns out to be a successful launch, given the aggressive pricing and new approach, the offering is likely to change the way projects are developed and sold," said a property consultant.

Lodha is confident that when the launch starts in April 2013, prices will be at least 25% higher than the pre-launch prices offered now.

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