



REPORT
ON
JAYPEE WISHTOWN

REAL244 – Basics of Property
Development Process and Risks

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JAYPEE WISHTOWN, NOIDA

INTRODUCTION

Jaypee Wishtown is an integrated city (1063 Acres) identical project which offers residential and commercial options with many other facilities to its residents accompanying health care facilities, education arrangement, shopping centers, office spaces, and religious centers. Jaypee Wishtown is owned by the Jaypee Group and its construction was started in the year 2007.

Jaypee Wishtown consists of many apartment projects for living purpose, some of them are Kosmos, Klassic, Pavilion Court, Kalypso Court, Pebble Court, Imperial Court, Knights Court. Most of them are in the completion phase; Possession of Kosmos, Klassic, Pavilin Court and Kalypso Court is given.

Jaypee Wishtown is located in Sector 128, Noida adjoining to the Noida-Greater Noida Expressway which is one of its main USPs. The project is nearby to many key places. It is 30 minute drive to Central Delhi and 40 minute drive to Greater Noida.

Jaypee Wishtown offers many options to its buyers including apartments (affordable and luxury), penthouses, plots and villas. These options are reasonably priced as per the growing demand and existing supply in the area. Jaypee Wishtown also offers The Jaypee Public School, The Jaypee Hospital, The Jaypee Institute of Technology, Jaypee Wish Point and a massive golf course to its residents which makes it an integrated city.

Jaypee Wishtown is the biggest and the most promising integrated project in Delhi NCR with help of Noida Development Authority providing necessary infrastructure and the Jaypee Group providing amenities.

PRE-CONSTRUCTION STAGE

Pre-construction stage in a real estate project is the first and the initial stage where the developer does the necessary basic preparation for the construction of the project. It is the planning and preparation phase of the project, there are many activities which a developer needs to do in the pre-construction stage of a project - Identifying the land parcel, arranging finance, obtaining necessary approvals and permits from the development authority, designing and planning the project.

1. Land Acquisition: In this step developer identifies and then acquires the land parcel for the project. It involves negotiating with the owner of the land which can be the development authority of the area or the farmers. Also, developer before acquiring the land parcel do the due diligence of the property for any future dispute over the land parcel.

2. Arranging Finance: In this step developer arranges finance for the project for land acquisition and construction for the pre-construction stage and construction stage. It can be from Banks, Private Equity Investors, and Personal funds.

3. Approvals & Permits: In this step developer obtain the approvals and permits which are necessary for the project from the development authority of the area. This include obtaining Building permit, Environment Clearance, Site Plan approval, Utility permits and Zoning permit.

4. Designing & Planning: In this step developer with other team members like architects and contractor plan and design the project as per the vision of the developer, demand, supply, and the building byelaws of the area.

STAKEHOLDERS INVOLVED IN PRE-CONSTRUCTION STAGE

Stakeholders in the pre-construction are the ones who have interest in the pre-construction stage of a real estate project and are affected by the performance or the decision making of the stage.

Stakeholders in pre-construction stage of Jaypee Wishtown, Noida:

1. Developer: The developer of the Jaypee Wishtown, Noida is the Jaypee Group.

2. Investors: SMB Capital Partner is one of the institutional investors of the project.

3. Lenders: HDFC is a major lender of the Jaypee Wishtown project, Noida.

4. Government Agencies: Noida Development Authority and other government agencies like Power, Water, Electricity department.

5. Architects & Engineers: SABS Architects and Engineers. Golfer Graham Cooke.

SIGNIFICANCE & ROLE OF STAKEHOLDERS

All the following stakeholders in the pre-construction stage of a real estate project play an important by working together for the successful completion of the project.

1. Developer: Developer is the main and most important stakeholder in the pre-construction stage of Jaypee Wishtown. A developer is responsible for planning, financing, constructing the project. Developer is responsible for bringing all other stakeholders together for the success of the project.

2. Investors: Investor is the one who provide funds for the project against equity. Equity financing is important to cover the cost of land acquisition and other cost in pre-construction stage.

3. Lenders: Lenders are the ones who provide debt financing to the project.

4. Government Agencies: Government Agencies issues approvals and permits to the project for uniform development and ensuring environment protection.

5. Architects & Engineers: Architects & Engineers prepare the various plans and drawings which are necessary for the project and will help in the construction of the project.

SOURCE OF DEVELOPMENT FINANCE

1. Jaypee Group: Jaypee Group itself raises funds for the Jaypee Wishtown project. It is the primary source of financing for the project.

2. Investors: There are many investors in the Jaypee Wishtown, Noida which are not publicly disclosed. SMB Capital Partner is one of the investors of the Jaypee Group.

3. Lenders: Banks provide loans (debt financing) to the Jaypee Group for its projects in the pre-construction stage. HDFC Bank is the major debt finance provider of the Jaypee Wishtown, Noida.

RISKS AND UNCERTAINTIES OF THE PROJECT AT PRE-CONSTRUCTION STAGE

1. Land Acquisition Disputes: When acquiring land for Jaypee Wishtown in Sector 128, the land belonged to the Yamuna Development Authority. The land was already meant for Township and Area Development by YEIDA. No CLU was required in this case. If land acquisition was not done properly it could have led to delays in the further process like taking approvals & permits, construction delays, etc.

2. Political: This could be due to changes in government rules and regulations related to the construction of the building or the use of the land. Back in 2014, UP government changed the land use of a land which was a portion of Jaypee Wishtown to institutional land.

3. Environmental: For Jaypee Wishtown, Noida the land which was acquired was in a region with high biodiversity. This acquisition could have led to loss of the biodiversity.

4. Financial: Inability to arrange finance and changes in interest rates could impact the project profitability. If Jaypee Group has borrowed money from lenders and the interest rate changes, this could impact the profitability of the Jaypee Group.

5. Geographical: Jaypee Wishtown, Noida is located in the flood plain of a river (Yamuna River). Also it is near a fault line, which means the project at a risk of both flooding and earthquakes.

RISK MITIGATION

1. Land Acquisition Dispute: Providing proper compensation and engaging with the landowners could reduce land acquisition disputes. Also, conduct due diligence for the assuring the clear title of the land.

2. Political: Political risks can be mitigated by building relationship with government officials. Also performing a proper due diligence could reduce the future political risks and obtaining all necessary approvals and permits. Also, be prepared for adapting changes in the political system or policies.

3. Environmental: By conducting a proper EIA (Environmental Impact Assessment) the project can reduce its impact/negative impacts on the environment, obtaining all environmental clearances from the authority, also by restoring any damaged habitat and using sustainable construction material.

4. Financial: By securing finance in advance for the project can mitigate financial risks involved in the project. Preparing a proper budget plan for the project can help manage finances. Also preparing a contingency plan for any future unexpected challenges.

5. Geographical: Geographical risks can be mitigated by designing and planning the building as such that they can withstand natural calamities like earthquake, etc.

CONSTRUCTION STAGE

Construction stage in Jaypee Wishtown, Noida is the second stage of the development process where actual construction takes place. Construction starts only when the developer has obtained necessary permits and approvals, arranged finance, acquired land for the project and have

planned and designed the project. There are many activities which are done in the construction stage – Site Preparation, Foundation and Structural Work, Exterior Finishes, Interior Finishes, Landscaping and Site Improvements.

1. Site Preparation: In this step, the site is prepared for the construction like leveling the site, excavation for foundations, utility installation, etc.

2. Foundation and Structural Work: In this step, foundation is made at the excavated area according to the site plans. Also, the framework structure is constructed in this step like beams, pillars/columns.

3. Exterior Finishes: In this step, the external structure of the building is constructed like the roof, walls, windows, etc.

4. Interior Finishes: In this step, the interior fixtures are constructed like the flooring, walls, and other fixtures.

5. Landscaping and Site Improvements: In this step, the other improvements which support the main structure are constructed like the roads, pathways, parking, greenery, etc.

STAKEHOLDERS INVOLVED IN CONSTRUCTION STAGE

Stakeholders in the construction are the ones who have interest in the construction stage of a real estate project and are affected by the performance or the decision making of the stage.

Stakeholders in construction stage of Jaypee Wishtown, Noida:

1. Developer: The developer of the Jaypee Wishtown, Noida is the Jaypee Group.

2. General Contractor: The general contractor of Jaypee Wishtown, Noida is JIL (Jaypee Infratech Limited).

3. Subcontractor: The subcontractors of Jaypee Wishtown, Noida are Agni Limited, Punj Lloyd, etc.

4. Suppliers: The suppliers of Jaypee Wishtown, Noida are Ambuja Cements Limited, Ultratech Cement Limited, Tata Steel Limited, Havells India Limited, Hindware Limited, Johnson Controls Hitachi Air Conditioning India Limited, etc.

5. Workers: Workers construct the project as per the contractor and subcontractor orders.

SIGNIFICANCE & ROLES OF STAKEHOLDERS

- 1. Developer:** Developer is responsible for managing the overall construction of the project and handing over the project on time and with the budget.
- 2. General Contractor:** General Contractor is responsible for appointing and managing the subcontractor who will construct the project. He is also responsible for overseeing the construction work.
- 3. Subcontractors:** Subcontractors are responsible for hiring workers who ultimately construct the project. He is responsible for the management of construction after the main general contractor.
- 4. Suppliers:** Suppliers supply the material and equipment for construction of the project like raw materials and construction machines, etc.
- 5. Workers:** are the ones who construct the project as per the orders of subcontractors and general contractor.

SOURCE OF DEVELOPMENT FINANCE

- 1. Banks:** Banks provide loans to the companies for constructing projects at the construction stage. Banks are the primary source of debt financing at construction stage.
- 2. Progress Payments:** Payment progress are the payments by the buyers to the developer in the construction stage which help in the construction finance.

RISK AND UNCERTAINTIES OF THE PROJECT AT CONSTRUCTION STAGE

- 1. Cost Overruns:** Cost overrun can be due to changes in prices of inputs, labor shortage, changes in interest rates, change in plan. Cost Overrun can impact the profitability of the developer and this can lead to cost cutting by the developer.
- 2. Delays:** There could be delays in the construction of the project due to various factors such as financial. Jaypee group faced financial problems in 2012 due to which the construction of Jaypee Wishtown was stalled.
- 3. Quality Issues:** Cost overrun can lead to cost cutting by the developer which can result in quality issues in the project. This can have a very negative impact on the project sales.

4. Contractor & Subcontractor Performance: Disputes with contractors and subcontractors can impact the project, as they play an important role in construction of the project.

RISK MITIGATION

1. Cost Overruns: Cost overruns can be mitigated by preparing an accurate budget plan for the construction and closely monitoring the cost involved in the project.

2. Delays: The financial problem faced by the Jaypee Group can be mitigated by preparing a contingency plan for any future challenges and working closely with the contractors and suppliers.

3. Quality Issues: Quality issues can be mitigated by appointing a quality inspector and conducting regular quality checks.

4. Contractor & Subcontractor Performance: Performance of the contractors and subcontractors can be increased by working with them and involving them in the decision making process.

POST-CONSTRUCTION STAGE

Post-Construction stage is the final stage of the development process of a real estate project. After the construction is being done there are various activities and steps which are left and these are under post-construction stage – Obtaining occupancy certificate, completing all remaining construction work, Handing over units to buyers, providing post-sales support.

1. Obtaining Occupancy Certificate: Obtaining occupancy certificate is important before giving possession to the buyers from the local authority. It ensures safety of the occupants.

2. Completing Construction Work: The developer completes all the remaining construction work like common area, lifts, lobbies, landscaping, etc before handing over the project to the buyers.

3. Handing over units to Buyers: After completing all the construction work the developer hands over the units to the buyers as per their sales agreement terms and conditions.

4. Post-sales support: This involves providing support after sales of the units like the resident welfare association, club house, cleaning and maintenance, etc.

STAKEHOLDERS INVOLVED IN POST-CONSTRUCTION STAGE

- 1. Developer:** The developer of Jaypee Wishtown, Noida is the Jaypee Group.
- 2. Property Manager:** The property manager of the Jaypee Wishtown, Noida is Jaypee Greens Sports City Limited.
- 3. Residents:** End-users of the property, feedback is very much important.
- 4. Government Agencies:** Noida Development Authority is the government agency which plays an important role in the post-construction stage of Jaypee Wishtown, Noida.
- 5. Maintenance and repair providers:** Jaypee Maintenance Team looks after the maintenance and repair of the Jaypee Wishtown, Noida.

SIGNIFICANCE & ROLES OF STAKEHOLDERS

- 1. Developer:** The developer is responsible for the management of the project after the construction is being done like the obtaining necessary approvals after construction, after sales support, etc.
- 2. Property Manager:** Property Manager is responsible for the overall management of the project. He is responsible for the cleaning, safety and comfort of the residents. He is responsible for collecting maintenance from the residents for various purposes like common area maintenance, society maintenance, etc.
- 3. Residents:** Residents are the ultimate users of the property, their satisfaction is important. There should be regular communication with the residents for knowing their needs and expectations.
- 4. Government Agencies:** Government Agencies like NDA (Noida Development Authority) play a very important role in the post-construction stage of Jaypee Wishtown, Noida as government agencies are responsible for inspecting the project, so as to ensure that the project aligns with building byelaws and local laws.
- 5. Maintenance and repair providers:** Maintenance team looks at the overall maintenance and repairs of the project. A good maintenance and repair team ensures that the project is well maintained.

SOURCE OF DEVELOPMENT FINANCE

- 1. Sales:** Sale of completed units by the developer for generating revenue.
- 2. Debt Financing:** The developer may go for extending/refinancing the construction debt loan for a longer period at reasonable interest rate.
- 3. Equity Financing:** Raising funds for the post-construction stage by selling the ownership rights to private firms, individuals, etc.

RISKS AND UNCERTAINTIES OF THE PROJECT AT POST-CONSTRUCTION STAGE

- 1. Legal:** Legal issues like inability of the developer to obtain approvals in post-construction stage of the project like occupancy certificate and others may lead to decrease in demand for the project and delayed possession.
- 2. Vacancy Rates:** High vacancy rates could impact the profitability of the developer. As higher number of empty units can lead to change in perception of the buyers regarding the project.
- 3. Defects/Quality Issues:** Defects in construction or quality issues can lead to reduced demands, costly repairs, and delays in the overall possession of the project.
- 4. Lack of funds:** Lack of funds could lead to incompleteness of the remaining construction work and other infrastructure work. Jaypee Wishtown's possession was delayed because of this reason i.e. lack of funds at the post-construction stage.

RISK MITIGATION

- 1. Legal:** For legal risks, developer should build relationships with key government officials and also should follow the local laws for obtaining the necessary approvals and permits at the post-construction stage.
- 2. Vacancy Rates:** Developer should offer competitive pricing as per the demand in the area before the start of the construction stage. Developer can also offer additional benefits with the units for decreasing the vacancy rates.
- 3. Quality Issues:** Developer should work closely with the contractors and subcontractors in the designing and construction process. A quality team should be formed to look after the quality of the materials used to construct the project.
- 4. Lack of funds:** Lack of funds at the post-construction stage can be mitigated by having an alternative finance option for remaining construction and other works.

DEVELOPMENT MODELS

The development model used by the Jaypee Group in the Jaypee Wishtown, Noida is a phased approach. In this approach, the project is divided into smaller phases, with each phase being completed and delivered to buyers before the next phase begins. This approach allows the developer to generate revenue from the completed phases to finance the construction of the subsequent phases.

The Jaypee Wishtown, Noida has three phases: Phase I → 13 Towers, Phase II → 70 Towers, Phase III → 94 Towers. These phases have completed and under-construction and planned towers.

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