

Things to know about leasehold to freehold property conversion in Noida

Presently, buyers have to approach the Noida Authority for transfer, sale and purchase of property, apply for a no objection certificate when they have to sale or purchase a property.

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The Noida Authority has said it may consider making residential properties freehold, a proposal which would have an impact on sellers, buyers and the real estate market.

All plots or flats in Noida are presently sold on leasehold basis. What this means is that the buyer is given the flat or plot on lease for 99 years and is required to pay a certain sum as lease rent to the authority.

But under the freehold system, the buyer will get full ownership of the property.

Presently, buyers have to approach the authority for transfer, sale and purchase of property, apply for a no objection certificate when they have to sale or purchase a property. They may not have to do so if properties are made freehold.

Sale and purchase without the requirement for a no objection certificate from the authority would mean a faster economic cycle - buying and selling of properties will be faster, there will be more liquidity in the system and a single property will undergo more change of hands.

Under the proposal that the Noida Authority is considering, floor-wise registration, similar to Delhi, may also be allowed in case of plotted developments. At present, one can construct four floors on a plot but cannot execute a registry sale or purchase of each floor.

According to real estate experts, the floor-wise registry will benefit property owners as they will be able to transfer their properties to blood relatives without seeking approval or paying transfer fees to the authority.

"As of now, Noida Authority sells properties on a 99-year-lease. It charges an additional amount for renewal of lease. The major difference between a leasehold and freehold property is that today since the property is leasehold, the owner has to seek the Authority's permission to sell and transfer the property," said Sunil Tyagi of Zeus Law.

"While converting a property from leasehold to freehold, the property owner will be expected to pay some charges to the authority and like in Delhi, freehold conveyance deed will have to be registered with the registrar's office on which they will have to pay certain stamp duty. These rates will have to be decided by the Noida Authority - the rate of conversion charge as well as on what rate the stamp duty will be charged upon conversion," he explained.

As for group housing societies, conversion from leasehold to freehold may not be permissible unless the entire plot of land is converted to freehold. This means that a single unit cannot be converted to freehold directly by an individual, the society has to first apply for freehold status of the society plot only then can an individual get his property converted to freehold, he said.

It may also lead to an increase in property valuation, experts said.

Conversion of properties from leasehold to freehold may also fetch more revenue to the government which in turn can be used for development and maintenance.

Currently in Noida, an owner cannot divide floors and sell them but once a property becomes freehold, builders will start selling floors and this may lead problems of higher density and parking issues. There will be tremendous pressure on existing infrastructure, just as in Delhi, said Tyagi.

To ensure that Noida does not face the problems that Delhi does, building department will have to ensure that building activity is not free for all and building byelaws are adhered to. There has to be a strong enforcement mechanism in place, otherwise, the city will face problems of uncontrolled construction activity. Entire Noida will then become a Shahberi, which is not part of a sector but part of the notified area, said town planning experts.

Consultancy firm EY has prepared a proposal for Noida Authority to make residential properties free-hold. The proposal would be presented during the authority's board meeting to be held in December and then presented to the UP government.

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