



# COMPARATIVE ANALYSIS ON RESIDENTIAL HOUSING IN INDIA

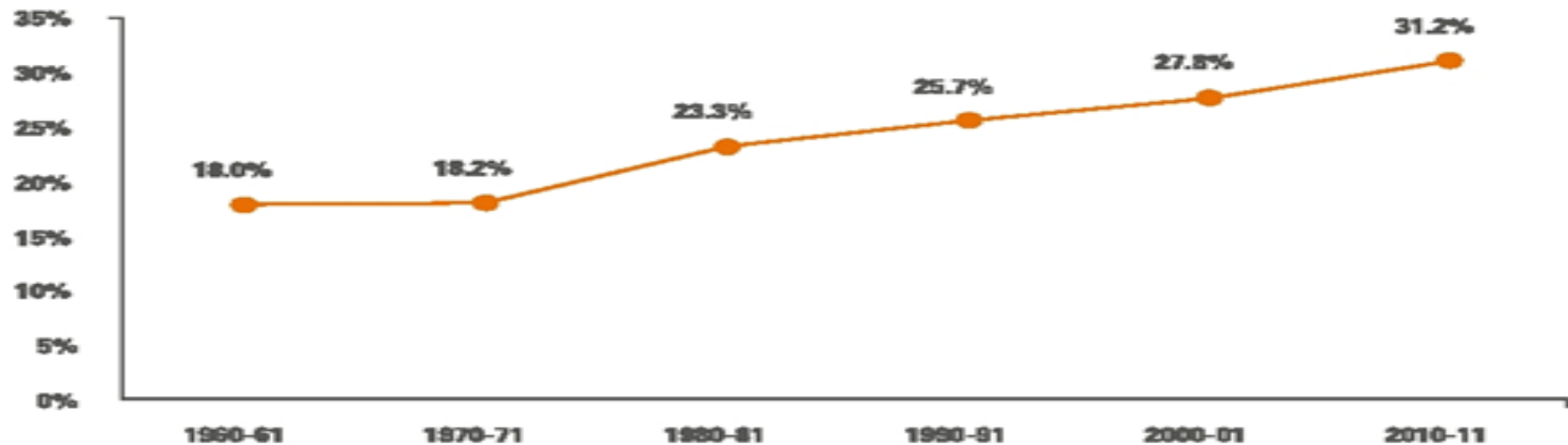


# URBAN POPULATION SET TO OUTGROW OVERALL POPULATION GROWTH

- India's urban population has grown at a CAGR of 2.8 percent over 2001-2011, resulting in an increase in the urbanization rate from 27.8 percent to 31.2 percent.
- Out of India's 1.21 billion population, 377 million people are urban dwellers.
- The Federation of Indian Chambers of Commerce (FICCI) estimates that by 2050, the country's cities would witness a net increase of 900 million people.
- Furthermore, over 2012-2050, the pace of urbanization is likely to increase at a CAGR of 2.1 percent - double than that of China.

# HOUSING SHORTAGE IN URBAN INDIA

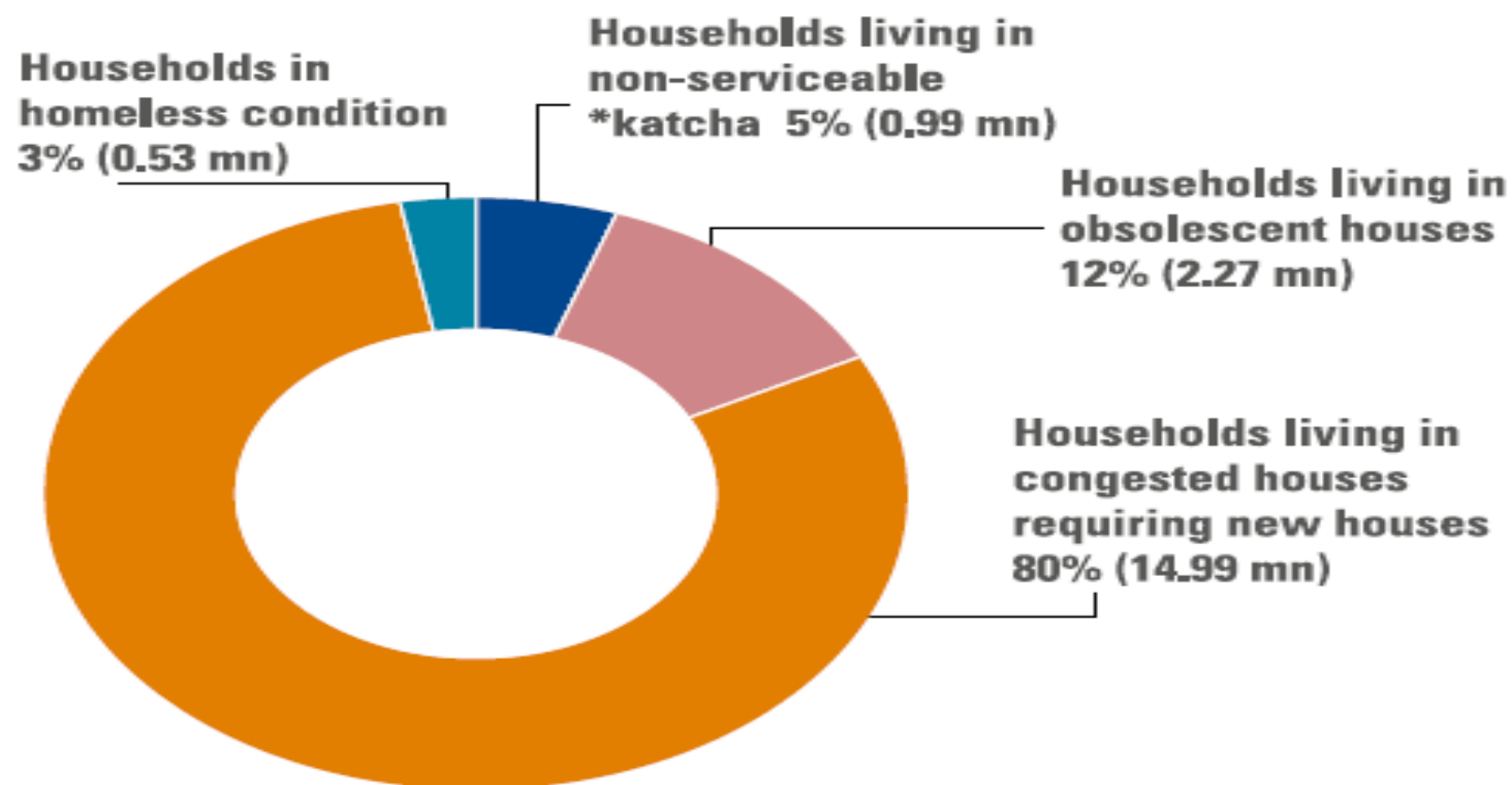
Urbanization Growth in India



Source: Census of India 2011

- Growing concentration of people in urban areas has resulted in an increase in the number of people living in slums and squatter settlements.
- Skyrocketing prices of land and real estate in urban areas have induced the poor and the economically weaker sections of the society to occupy the marginal lands typified by poor housing stock, congestion and obsolescence.
- It is apparent that substantial housing shortage for rental and sale looms in Urban India and a wide gap exists between the demand and supply of housing, both in terms of quantity and quality.

## Urban housing shortage 2012



Note: \*Katcha refers to houses made of local products like bamboo, mud etc  
Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012

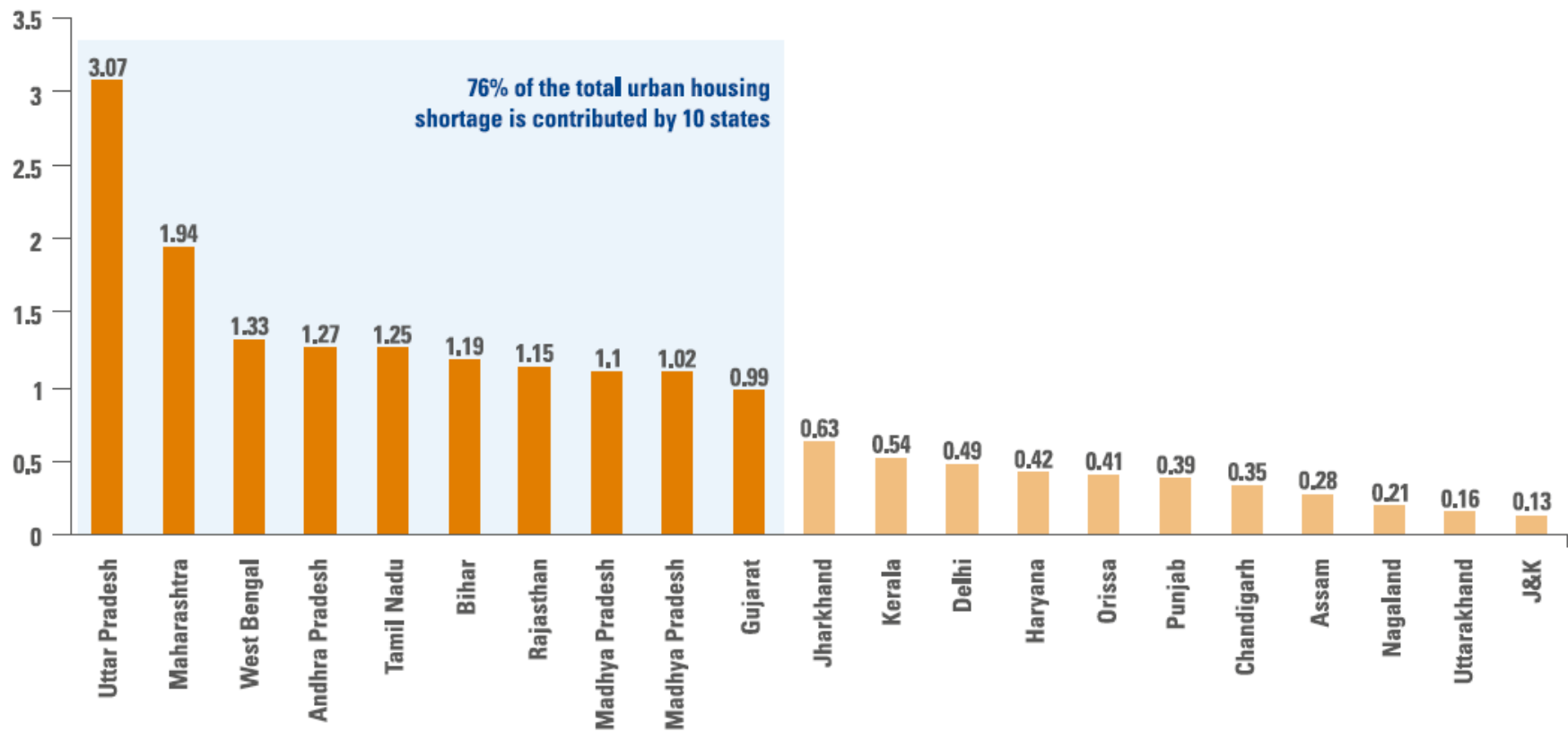
Of the total urban housing shortage for rental and sale , nearly 62 percent houses are self-owned, while 38 percent families live in rented homes. The below table illustrates the break-up of housing shortage in both these categories in urban India:

Tenure	Number of families living in old houses	Families living in katcha houses	Number of families living in congestion	Families without homes	Total Urban housing shortage
Self-owned	1,395,735	770,817	9,188,746	326,430	11,681,728
Rented	870,417	219,183	5,700,019	203,570	6,993,189

Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012

# STATES CONTRIBUTE TO THREE-FOURTHS OF THE URBAN HOUSING SHORTAGE FOR RENTAL AND SALE

State-wise housing shortage in 2012 (Fig in million)

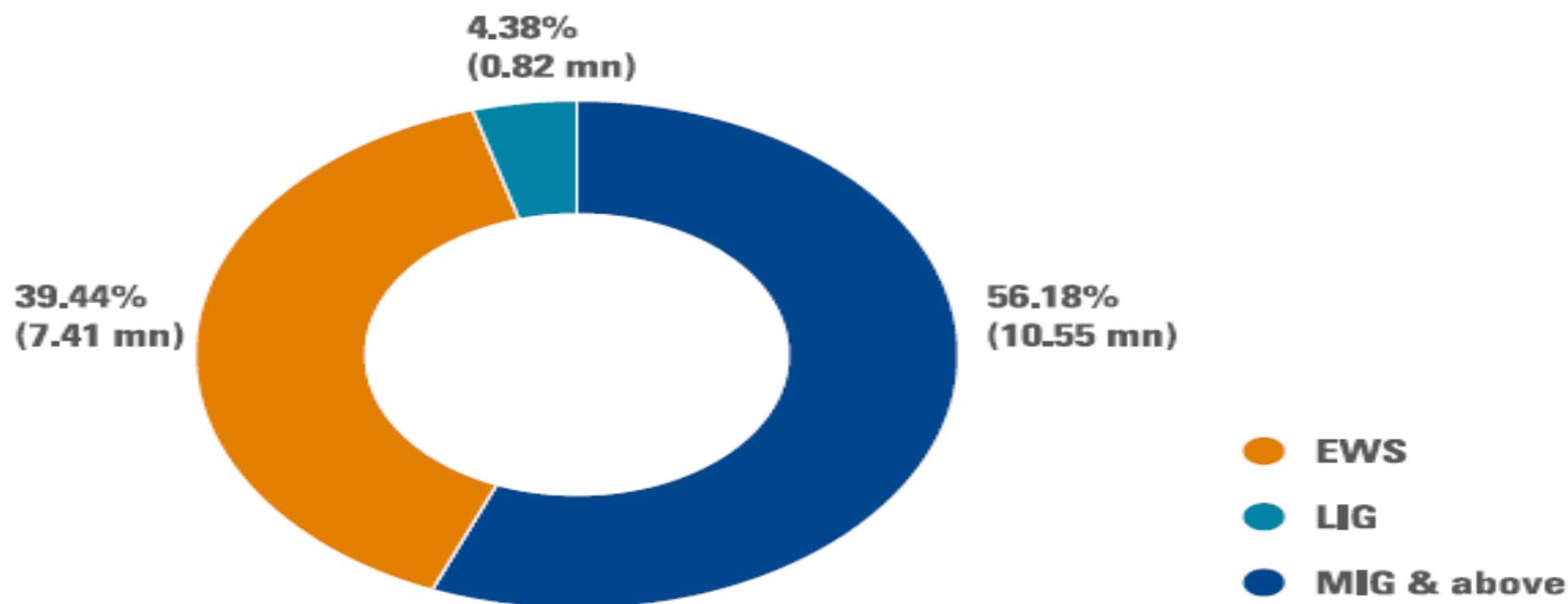


Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012



# SHORTAGE AMPLIFIED FOR THE ECONOMICALLY WEAKER SECTION (EWS)

## Urban Housing Shortage 2012



Note: States with housing shortage less than 0.1 mn are not shown above. There are such 13 states which together have 0.46 mn housing shortage

Source: Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012

# AFFORDABLE HOUSING – THE ORDER OF THE DAY

The Landscape of Affordable Housing Development (units priced < INR 10 Lakhs) in Major Indian Cities

## AHMEDABAD

New Maninagar	15
Narol	15
Vatva	20
Kathwada	30

Major Developers

Santosh Associates, Foliage, Galaxy Developer, Dharmadev Builders, D&S Affordable Home, Shree Ram Developers.

## MUMBAI

Ambivali	65
Karjat	80
Palghar	100
Boisar	110

Major Developers

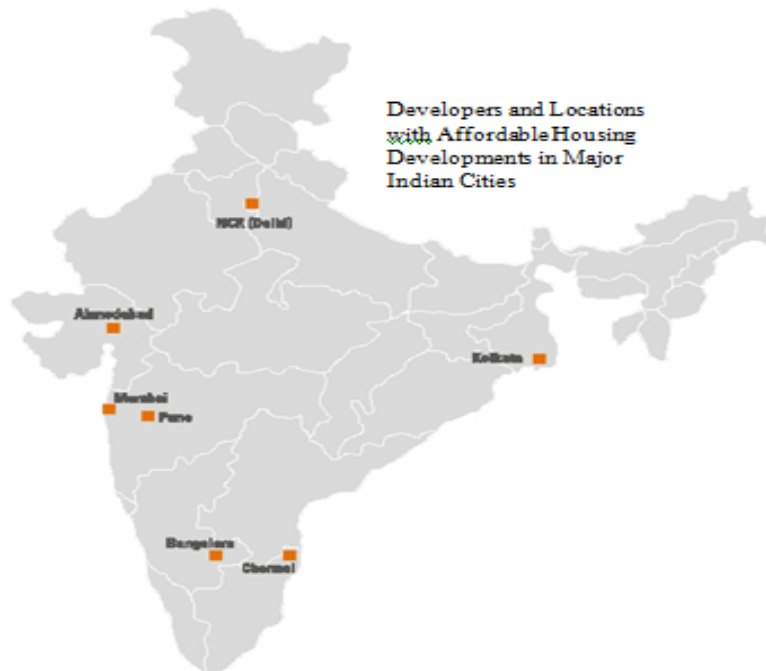
Tata Housing, HDIL, S Rajeja, Matheran Realty, Havara Builders, Neptune Group, Poddar Developers, Usha Brocco Realty, Nirman Group, Srikam Properties, Karjat Land Developers, Parvelkar Group, Recharge Homes.

## PUNE

Urlikanchan	30
Yavat	45

Major Developers

Trishul Builders, Dreams Group, Source: Jones Lang LaSalle Research, Vastushodh.



## DELHI (NCR)

Bhiwadi	75
Bawal	100

Major Developers

Ashray Homes, Suresh Builders, Avalon Group, Arun Dev Builders

## KOLKATA

Sonapur	20
Barasat	100

Major Developers

BGA Realtors, Magnolia Infrastructure, Pushpak Infrastructure, Shapoorji Paloni.

## CHENNAI

Nanmangalam	25
Oragadam	45
Cheyyur ECR	95

Major Developers

VBHC, TVSHousing, Mag Constructions, Anjal Builders

## BANGALORE

Anekal Road	30
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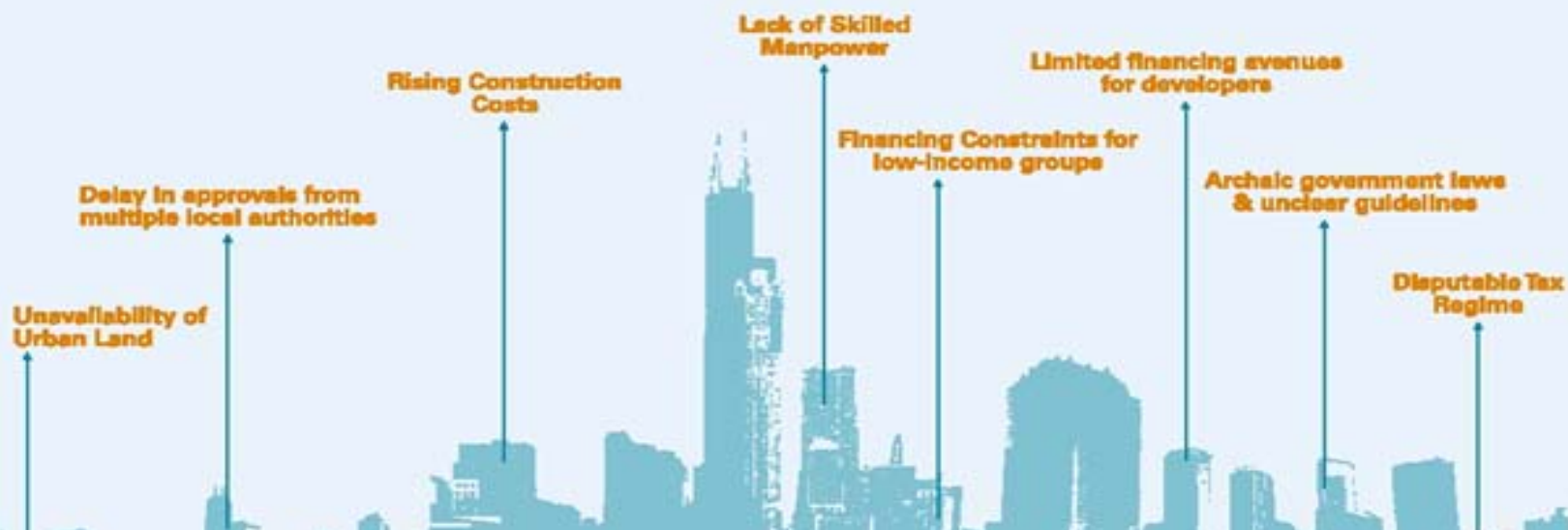
Major Developers

VBHC, Janardhan





# CONSTRAINTS FOR REAL ESTATE DEVELOPERS



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# UNAVAILABILITY OF URBAN LAND

- High population density in urban areas has triggered a huge demand for urban land.
- There is a growing need to revisit previously conceived government regulations which have created an artificial land shortage and pushed up land prices in India.
- Without Government support, the limited availability of land in urban areas makes it unviable for developers to take up affordable housing projects.
- Further, the substantial non-marketable urban lands used by Government-owned entities such as railways can be used more efficiently.
- A number of these land parcels are present in centrally located areas.
- Through better monitoring authorities can make more optimum use of these land parcels and prevent the on-going proliferation of slums and squatter settlements in these areas.

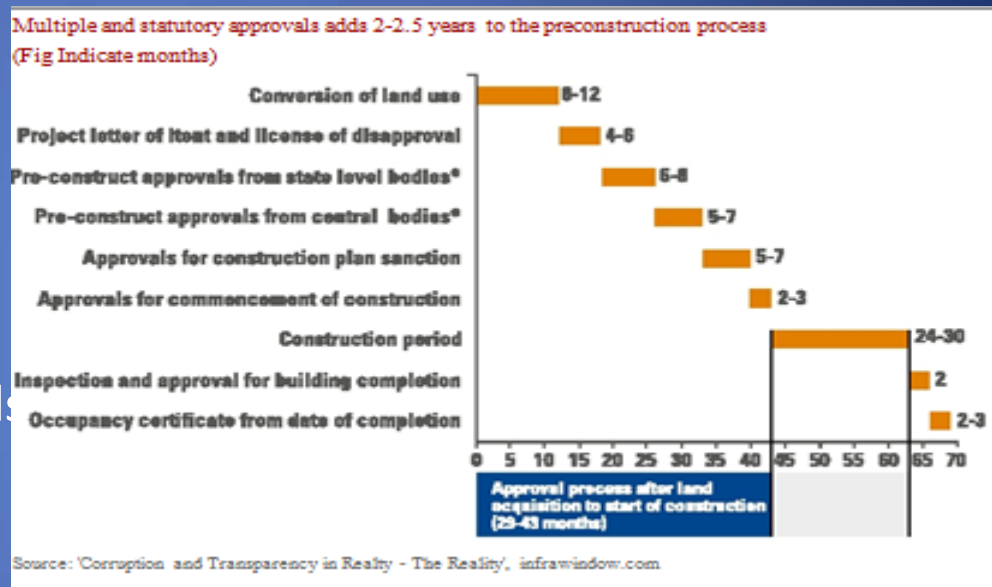


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# DELAY IN APPROVALS FROM MULTIPLE LOCAL AUTHORITIES

Estimates reveal that real estate developers are required to pass the approvals through 150 tables in about 40 departments of central and state governments and municipal corporations. Delays in project approvals could add 25-30 percent to the project cost. Better co-ordination among the multiple authorities in dealing with various permissions/approvals can encourage real estate developers to invest in the affordable housing segment. Currently, it takes nearly two to three years for a developer to commence construction after having entered into an agreement for land purchase.



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# RISING CONSTRUCTION COSTS

- Unlike premium residential projects, where pricing is largely guided by land costs, prices of affordable homes are primarily driven by the cost of construction.
- Construction costs form nearly 50 percent to 60 percent of the total selling price in affordable housing projects while for luxury projects this figure is 18 percent to 20 percent.
- Contrary to land prices, which decline exponentially as projects move away from centrally located to peripheral areas of a city, construction costs fall at a gradual rate from luxury projects to low-income housing projects.
- Hence, construction cost minimization is a vital aspect of making affordable housing projects viable.
- Raw materials, including steel, cement, sand, bricks, etc, have witnessed price escalation of 20-50 percent in the recent past.
- Owing to the success of the National Rural Employment Guarantee Act (NREGA) scheme, the labor shortage in construction has risen and this has further impacted it has lead to a considerable rise in wage levels.



# LACK OF SKILLED MANPOWER

- India's real estate sector continues to grapple with the issue of manpower shortage
- 
- This shortage can have an adverse impact on the delivery and cost of affordable housing projects for both rental and sale.
- There is need to enhance the education and training capacity offered through various schemes to meet the demand of the large percentage of unskilled workers in the Indian labor market.

Projected Human Resource Requirement (in '000)	2008	2012	2018	2022	Incremental
Real Estate	10,790	14,515	20,692	24,981	14,191

Source: Human Resource and Skill Requirements in Building, Construction Industry and Real Estate Services, NSDC

# FINANCING CONSTRAINTS FOR LOW-INCOME GROUPS

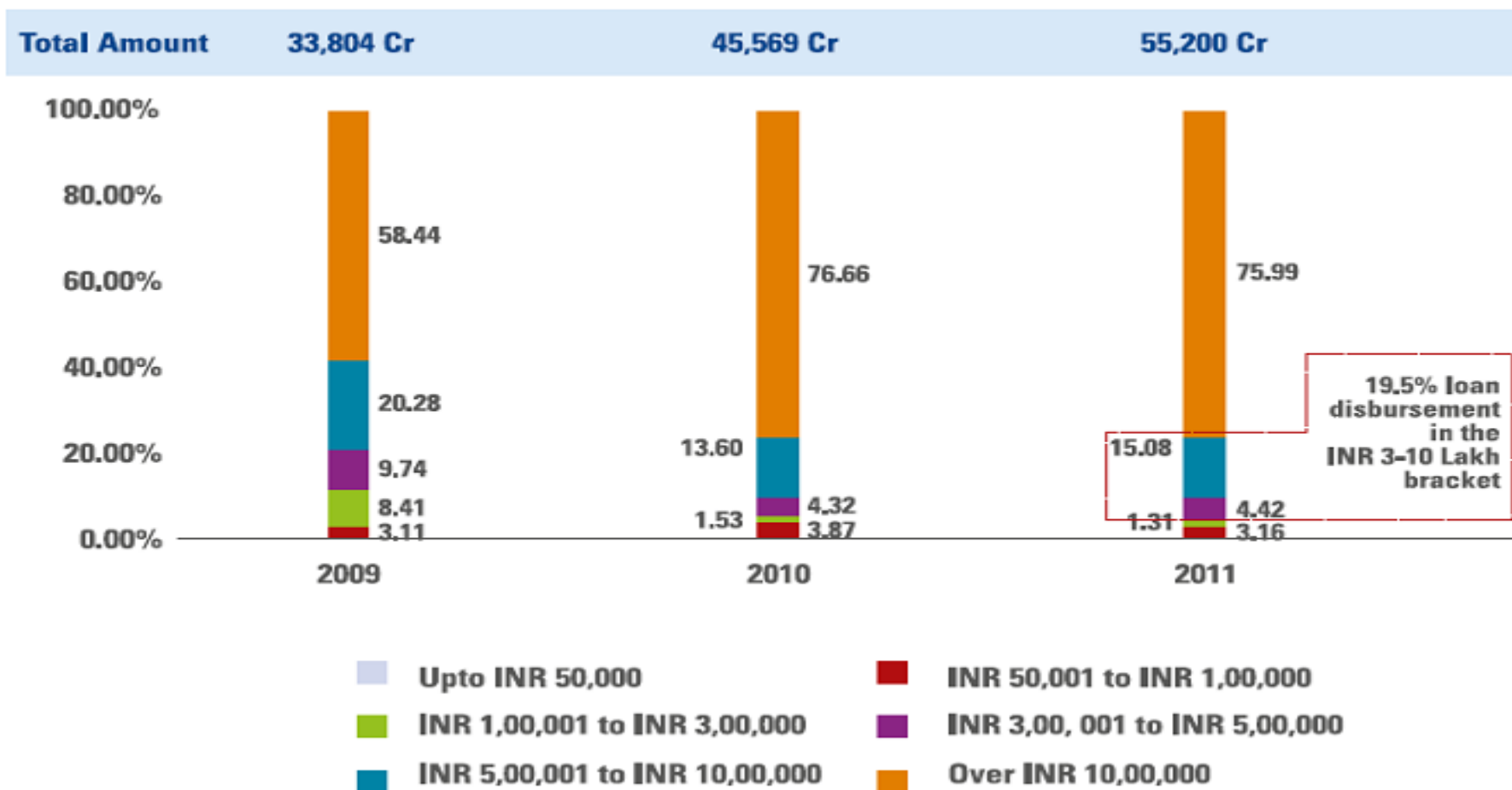
- The current financing mechanism in the country is tilted towards servicing the MIG & above segments.
- As a result, the households falling under LIG and EWS category find it difficult to secure formal housing finance.
- Commercial banks and other traditional means of housing finance typically do not serve low-income groups, whose income may vary with crop seasons, or is below the 'viable' threshold to ensure repayment, or who cannot provide collateral for loans.
- Further, housing finance companies (HFCs) are unable to serve the LIG and EWS categories owing to their inability to provide the required documentation for hassle free disbursement of loans.
- The loan market of INR 3-10 lakhs is estimated at INR 1,100, 000 crore. Despite this, less than 20 percent of the INR 55, 200 crore worth of housing loans disbursed by HFCs in FY2011 were in the loan bracket of INR 3-10 lakhs.



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### Size-wise loan disbursement by HFC's in India



Source: Report on Trend and Progress of Housing in India, National Housing Bank, 2011; KPMG in India analysis

# LIMITED FINANCING AVENUES FOR DEVELOPERS

- Along with the buyers, real estate developers are also grappling with funding challenges.
- Banks have curtailed their exposure to real estate citing cautious measures leaving high cost finance options such as Non-banking Financial Companies (NBFCs) and Private Equity (PE) funding as the only source of finance.
- Moreover, high cost of finance coupled with the waning demand has disrupted the cash flow situation of developers.
- Hence, developers are now deferring their project launches, thereby altering the slated supply.
- Also, high cost of finance is restraining them from lowering housing prices.



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# NEED TO RELOOK LAWS AND BUILDING GUIDELINES

- There is a growing need to revisit regulations such as the Rent Control Act, which are proving to be a deterrent in the development of rental houses and redevelopment of areas with old properties.
- By formulating more clear and defined guidelines within building bylaws and rules for Floor Space Index (FSI), zoning and development plans the local urban authorities in India can reduce the difficulties faced in planning for construction projects in India.



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# DISPUTABLE TAXATION REGIME



- Taxability of real estate transactions in India has been a matter of dispute and litigation as the Union Government, individual State Governments and local authorities are empowered to impose various indirect taxes on developers.
- Once a more clear definition on whether 'the real estate property' is a product or service is provided by the Government, developers would gain a breather from the current double taxation regime.
- The Government also needs to revisit the non uniformity in stamp duties across the country.
- The stamp duty to be paid at the time of execution of the underlying instrument varies from 5 percent to 15 percent of the value of property in different States



Urban Housing Shortage  
**The Way Forward**



# THE WAY FORWARD

- Improve land planning and utilization
- Viable business model to encourage further involvement of the private sector.
- Provide incentives on construction and other allied costs
- Encourage micro mortgage financing mechanisms
- Alternate sources of funding for developers
- Improve penetration of rental housing in urban areas
- Initiatives to build talent capacity
- Leverage innovative and low-cost technologies



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Country	Percentage of total housing stock*		Percentage of social housing stock by**	
	Social rental	Private rental	Pure public sector	Housing Assoc(Limited profit /non-profit)
UK	20	10	54	46
Ireland	7	11	90	10
USA	3	29	31	69^
Australia	5	22	85	8
Canada	6	28	34	66
Austria	23	17	43	53
France	16	24	Some	90^
The Netherlands	35	12	1	99
Denmark	19	18		100^

Source: International experience in providing affordable housing, IDFC 2011

Note: Housing associations are for-profit, non-profit or limited profit organizations that build and/or manage low-cost or social housing

\*Remainder of total housing stock is predominantly ownership

\*\*The social housing stock includes both social rental and ownership units

^Include some for-profit associations, co-operatives, moderate rent agencies and regulated private landlords. Some associations have tenant shareholders



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# WHY IS RENTAL HOUSING IMPORTANT?



- Low income households can't afford to buy homes and cannot get home loans due to lack of credit history.
- Smaller, monthly rent payments suit their variable income profile.
- For the government, subsidy outlays for rental housing, such as on rental allowance, is lower than subsidizing house ownership.
- Then the housing asset remains with the government so it can be used by multiple households over time.
- The majority of low income persons in urban areas end up renting accommodation in the informal sector under a variety of arrangements.



# THANK YOU !!

## SOURCE : KPMG & NAREDCO

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