

**AFFORDABLE
HOUSING
SUNDAY
BULLETIN
ISSUE : 18**

**DATE:
01-07-2018**

AFFORDABLE HOUSING – REALITY OR JUST A UTOPIA?

Introduction:-

The market for affordable housing has been portrayed as the lone silver lining in an otherwise sluggish real estate sector, which has faced challenges over the last 3-4 years. Without a doubt, this sector defined by houses ranging up to around ₹30 lakh is the only segment in this space which is seeing meaningful movement and sales.

Ever since the Modi government announced the 'Housing for All by 2022' mission, affordable housing has managed to grab eyeballs from the industry stakeholders. With global economic meltdown, it won't be appropriate to say that Indian property market has remain untouched. A slowdown in Indian realty market is currently being seen which has led analysts predict a 25-40% downslide in property prices. However, builders and developers are denying any price cuts; they're rather firm on further price escalation. In such a scenario, ensuring housing for all seems a debatable issue.

However far-fetched the affordable housing dream may seem, it's not an unachievable task. This bulletin enumerates various factors and lowdown on this factors which could certainly provide a clear picture.

AFFORDABLE HOUSING – REALITY OR JUST A UTOPIA?

1) Reduction in Land Cost:- A major hurdle in achieving the affordable housing dream is the ever-burgeoning land prices. Builders and developers have come to the forefront explaining to the governments that why bringing down land prices is crucial to attain the 'Housing for All' dream. Land is an expensive source to the builders which further makes the home prices high, thus affecting the homebuyers who need to shell out more money. End-users are the worst-affected, as most of them are first home purchasers. Hence, it could be stated that reducing land prices is the first and foremost step towards achieving affordable housing dream. Also, government should look to unlock land parcels currently being held by state-run units. These could be the port trust land, railway land, as also salt pan lands.

2) Rationalisation of taxes:- Another solution that could bridge the affordability gap is rationalisation of taxes. Builders and developers are liable to pay a number of taxes that increases the overall cost of any given project, and the burden is finally passed on to the consumers. For the sake of consumers' interests at large, government needs to work upon revision of taxes

AFFORDABLE HOUSING – REALITY OR JUST A UTOPIA?

3) Speedy approvals and permits:- Each of the homebuyers must have come across a situation wherein the possession of their purchased flats has been delayed. A major reason cited for such a situation is the delay in getting timely requisite approvals and permits. Getting the building plans approved is quite a daunting task for all the builders and developers, as the process gets delayed due to prevailing red tapism and corruption in the system. Constructions thwart due to this, and the construction costs escalate steeply – another reason to burn a hole in the pockets of homebuyers. Industry stakeholders are firm on a single window clearance to speed up construction, which means bringing down the construction costs, and thus making housing affordable.

4) Use of Technology in Construction:- As prices of construction materials such as cement and sand are skyrocketing day by day, a major cost that every builder and developer incurs is the construction cost. Infusion of technology with construction is the way to go to see a dip in construction costs. Many builders and developers across the country have switched from normal mode of construction to precast technology. Countries like China have adopted 3D printing, and have managed to build houses within few days. If India manages to use 3D printing full-fledged for construction, then it would be able to overcome its current housing crisis.

5) Developing the peripheries:- Major developments have already occurred within the cities. Property prices in these developed centres always witness an upsurge. Builders and developers are thus choosing the peripheral areas of cities for their new projects wherein land is quite affordable. Land parcel availability is also a major driver of housing development in these areas. However, lack of infrastructure and connectivity has stunted growth of peripheries. Government must work towards building better infrastructure in these areas, and also improvise connectivity to main urban centres and business districts with the help of mass rapid transit system. Transit oriented development is the sure shot way of enhancing connectivity, and thus leading to growth of urban centres.

6) Innovative financing tools:- In the current real estate scenario, whenever financing to builders and developers is mentioned, traditional banking channels have been replaced by private equities and non-banking financial companies (NBFCs). Developers are insisting on foreign funding to boost affordable housing. Foreign Direct Investment (FDI) can be an effective tool to deal with the financial crunch that builders are facing today. Besides, crowd funding can also be looked at one of the efficient financial tools. Equity crowd funding has emerged successfully in the West, and the same could be aped in India too.

AFFORDABLE HOUSING – REALITY OR JUST A UTOPIA?

7) Don't build premium:- Builders and developers have restrained themselves from venturing into affordable housing segment as the profit yield is quite marginal. They've been building premium, luxurious houses with best-in-class amenities indoors as well as outdoors. Such housing projects are equipped with luxuries like swimming pool, clubhouse, gymnasium, recreational centres etc. This further increases home prices, and hence housing remains unaffordable to most except a privileged few. Developers should utilise the land available to them to create housing for consumers at large. Recreational facilities could be a part of the building itself rather than using a large land parcel for the same.

Conclusion:- Challenges and opportunities are abundant when it comes to building affordable housing in India. However, it's a must that governments and private parties work in collaboration and co-operation to ensure 'Housing for All by 2022' dream becomes a reality.

CREDAI NATIONAL - AFFORDABLE HOUSING COMMITTEE



Mr. Shantilal Kataria

Chairman, Affordable Housing Committee
Credai National
President, Credai Maharashtra
Email- katariashantilal@gmail.com

Mr. Majid Kachhi

Convenor, Affordable Housing Committee
Credai Maharashtra
Email:- kachhigroup@gmail.com

Mr. Suhas Merchant

Chairman, RERA
(Legal Committee Credai National)
Email:- srmerchant@vsnl.com

Mr. Mayank Modi

Credai NCR-Delhi

Mr. Sanket Shah

Credai Ahmedabad , Gujarat

Mr. Sachin Kulkarni

Convenor, Affordable Housing Committee
Credai National

Email:- sachin@vastushodh.co.in

Mr. Dilip Mittal

Convenor, Construction Cost Committee
Credai Maharashtra
Email:- dilip@mittalbrothers.com

Mr. Pankaj Kothari

Member Affordable Housing
Credai National
Email:- parkoakl@gmail.com

Mr. Suresh Patel

Credai Surat, Gujarat

Mr. Sarvesh Javdekar

Credai Pune Metro

Supporting Partner



भारतीय स्टेट बैंक
State Bank of India

हर भारतीय का बैंक
THE BANKER TO EVERY INDIAN

Contact Us:
CREDAI

5th Floor, PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi-110 016

Tel: (011) 43126262/ 43126200 / Fax: +91 11 43126211 / Email: info@credai.org

Disclaimer :- The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.