

INTERVIEW ON AFFORDABLE HOUSING

BY

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Q.1:- What is your take on current adaptation rate of Real estate developers for Affordable projects and especially PMAY (LIG/EWS) centric projects?

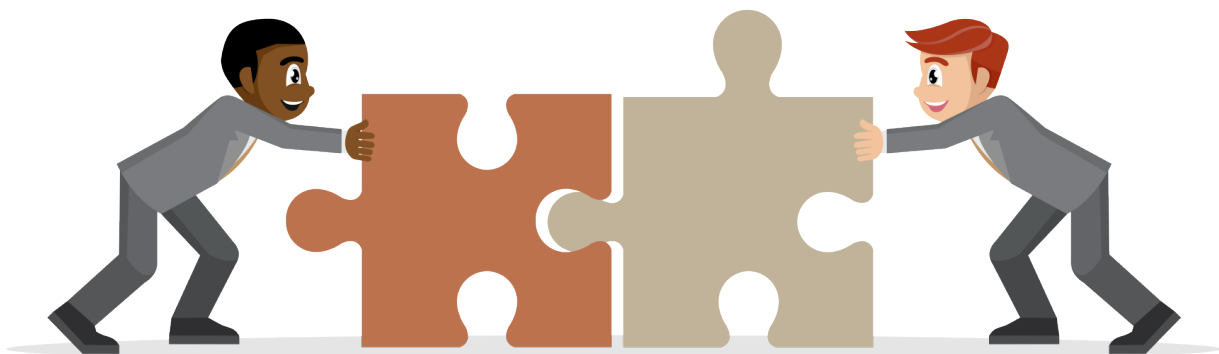
→ Following the government's push for affordable housing over the last five years - in line with its vision of Housing for All by 2022 - there has been a significant increase in activity in this segment. Several builders have come forward to grab a pie of this buoyant segment. As per ANAROCK data, the share of new affordable supply (<INR 40 lakh) has been rising since 2015 onwards. Interestingly, besides multiple sops there is an increasing demand from 'real' users which compelled developers to launch more units in this category.

As a result, since 2017 onwards the share of affordable units has dominated the overall supply in the residential market. Also, the number of affordable units launched across the top 7 cities was nearly 77,590 units in 2018, rising by 18% against 2017. If we break down further, nearly 25% of the total units in the affordable category are priced < INR 20 lakh. This share has increased from 17% in 2014 to 25% in 2018.



Q.2:- Will the corporate developers be interested in taking over major chunk of responsibility in this for coming future if the govt continue the same push to housing for all?

→ The government sops for affordable housing will continue to attract major players into this segment, largely because there is massive demand for affordable homes from the end-users. Thus, the government's continued support and further incentives to developers will go a long way in luring more and more realty players into this segment. What will also attract more developers is that long-term investors are currently seeing prospects in this segment and eyeing it for investments, as it is expected to give them 8-10% annual returns. And, developers will definitely like to cash in on this growing demand from these long-term 'realistic' investors.



Q.3:- With RERA in place now how do you see the long anticipated - Industry status for real estate- will pan out?

→ Industry status for the real estate sector has been the long-pending demand by the concerned stakeholders – given that housing is the basic need. The sector is one of the major contributors to the GDP and is the 4th-largest employment generator in India. Industry status to the sector will help developers raise funds at lower interest rates and, in turn, reduce their project costs - which will help in pushing more housing demand. Thus, even while the government continues to push small sops to housing sector – be it in the budget or else – this big step will go a long way in boosting confidence of homebuyers.



Q.4 :- Do you really see that Land will be a raw material and no longer the profit driver? Or it's a cyclic event and can we anticipate a boom?

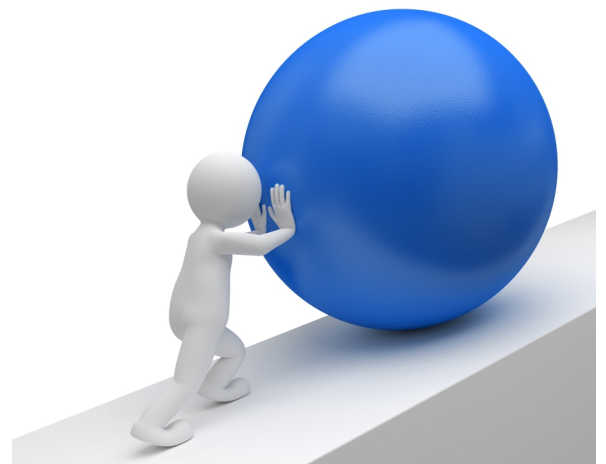
→ Well, the boom of early 2000s may not really happen in the future because the Indian real estate is getting more mature and realistic. Moreover, it will be very difficult to consider land as mere raw material and not a profit driver because India still lacks social and physical infrastructure facilities in the peripheries of a city. For land prices to remain under control, cities have to

expand in all directions and be backed by sound infrastructure facilities coupled with excellent public transportation. For instance, land starved city like Mumbai is not likely to see land change into mere raw material and not a profit driver.

Also, the act of hoarding land in India by individual players on mere announcement of any infrastructure project is quite rampant which invariably doesn't help in making land a mere raw material.

Q.5 :- Do you find any hurdles in housing for all mission from policy side?

→ Despite all good intentions of the government, the pace of development is significantly slow in building homes for all. Progress under PMAY is so far quite discouraging. As per MoHA data, only 39% of the total of 68.85 lakh homes which were sanctioned under PMAY as on January 2019 is actually completed or occupied. This deficit is a little too large to ignore. The on-ground implementation needs to pick pace.



Q.6 :- Is there something called Affordable commercial spaces? Will there be a need post Housing for All for such situation?

→ Increasing commercial rents has prompted few international cities like New York to launch a programme wherein developers (post getting few incentives) are mandated to leave aside certain amount of commercial space for local retailers in new developments and at rents nearly 30% below the market value. This eventually makes it affordable for several small businesses. Back in India, cities like Mumbai have exorbitant commercial rents and thus only large corporates and big business can sustain the existing rents. Hence, a move like this could go a long way in boosting small businesses as well.



Q.7:- How are banks/NBFCs/HFCs reacting to the demand in loan but lack of documents of the buyers' side?

→ The documentation process for availing home loans from banks continues to be long and lengthy in contrast to that in NBFCs and HFCs. But the recent NBFC crisis has also compelled these finance companies to be cautious and vigilant. Therefore, the decline in NPAs – first since 2015 – is probably due to the extra-cautious approach of the banks. However, banks have also made loan disbursement process to individuals and first-time buyers more convenient if proper documents are in place. For instance, ICICI's 'Pratham' loans for affordable housing also enables online sanction of home loans via their website. In a span of four years it granted loans to over 51,000 people from the EWS and LIG groups up to Rs 30 lakhs.

Q.8 :- Forging ahead in the affordable sector what innovation you expect on developers' side?

→ Technology has disrupted the way real estate works today. By adopting innovative technologies like automation in construction, innovative designs, sustainability, use of prefabricated material and online marketing, developers can value-engineer their product.

3D Printing (large-scale printing of homes), though still very nascent, can potentially replace a substantial amount of construction across major segments including residential, commercial or even retail. Building Information Modelling (BIM) software also allows designers to produce 3D mock-ups of planned structures with inclusion of info on its cost and time.



Q.9 :- Do you think there is ample demand for Affordable Housing? Any specific market (cities)in India that have potential according to you?

→ Yes, there is high demand for affordable housing in India. This can be validated by government stats which stated there is housing shortage of nearly 19 million units in urban India, out of which 96% belonged to the EWS and LIG groups alone. These numbers, as per the government, have been recently revised to 10 million units. Even if it stands true, shortage of 10 million units is still a large number.

NCR and Hyderabad have immense potential in affordable housing.



Q.10 :- What is your take on current cost to convert a buyer in affordable housing segment?

→ The biggest paradox in Indian real estate is that there is a massive unsold housing stock in the midst of a chronic shortage of housing. As long as prices are not brought down significantly, the housing shortage will only widen regardless of tax sops. To this effect, we need to question the very fundamental of pricing in real estate because increasing prices is making home buying more and more restricted to a select few.



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