



**MUNICIPALIKA** 2009  
**Making Cities Work**  
29 Jan - 31 Jan 2009 • Mumbai, India  
MMRDA Grounds, Bandra-Kurla Complex

**CS - 08**

**Affordable Housing, Real Estate and Partnerships**

**Date:** 31 January 2009

**Time:** 10:00 - 11.45

**Chair:**

**Shri. Ratnakar Gaekwad**  
Metropolitan Commissioner  
Mumbai Metropolitan Region Development Authority

**Co-Chair:**

**Shri. S J Kunte**  
Secretary  
Department of Housing  
Govt. of Maharashtra

**Presenters:**

**Shri. Shrikant Singh**  
Vice President and CEO  
Slum Rehabilitation Agency  
Maharashtra Housing and Area Development Authority

**Shri. D.R. Hadadare**  
Chief Engineer II  
Maharashtra Housing and Area Development Authority

**Ms. Mariam Thomas**  
Chairperson  
Moovattupuzha Municipal Council, Kerala

**Smt. Jayasree Kurup**  
Editor  
Times Magic Bricks, Delhi

# Conference Session



8



## Towards Affordable Housing

E Jayashree Kurup  
Content and Research Head  
magicbricks.com

I am not an architect, engineer or planner. Neither am I a policy maker. However, I have had a unique bird's eye view of the Indian housing and real estate sector for over the last two decades. And there were many observations that I made about how housing has to be affordable and within the reach of the average user.

Over the last five years, as a researcher and data collector in residential real estate, my team of researchers and analysts and I have spent much of our time translating the observations into statistics that would expose to all in numbers, affordable housing in its many dimensions. Today I would like to share these with you.

Our policy makers and planners have actually given a lot of thought to affordable housing. But the magnitude of the problem was so vast and its dimensions so many that no matter how many policy statements would be made, there would still be another dimension that lay uncovered. The National Housing and habitat Policy of 2008 was actually a starting point for India's quest to meet that magic figure of 24.7 million housing shortage that has been estimated.

The nine-city survey undertaken by magicbricks.com in 2006 to estimate the effect that the Section 80 IB (10) tax incentive given to developers from 1998 through 2006 revealed a startling fact – that the incentive had egged some unlikely players to create smaller housing units of 1000 sq ft in Mumbai and Delhi and 1500 sq ft in other cities in the country. In addition, it had bred a new category of developers across the country that had opted to remain in affordable housing. Some of those are today engaged in constructing quality affordable housing eve today and are the ones at the forefront of the movement today.

But in the boom of 2005-2008, affordable housing took a beating. Low interest rates that had spurred active home buying by classes of people who were never in the reckoning till 1998, suddenly became cornered by a select creamy layer which bought multiple houses on speculative interest. Clearly that was lucrative and the developer community had been catering to them only during the boom years.

The findings of the MagicBricks- CREDAI study in 2006, entreating the government to incentivise affordable housing while letting market forces rule in the premium segment, was largely ignored. This was a costly mistake. Had the incentives continued to developers to build smaller affordable units and had the segment also received the differential interest rates that are now in place, the end user would have remained in the market. Also the risk weightage given by the Reserve Bank of India to cool the overheated, speculative real estate market would have been wegghted in favour of affordable housing as well. However, what's past is past.

The government maintains that 90 per cent of demand for affordable housing is in the Economically Weaker Section (EWS) category. Magicbricks begs to differ. To understand the concept of affordability, we conducted an online survey on MagicBricks.com in March 2008.

The survey has received over 1,000 responses from Indian netizens and shows that nearly 60% of Internet surfers in India look for property-related information on websites.

The survey found that more than 50 per cent of Indians online are looking for a 2-bedroom house to call their home, and find the Rs 5-10 lakh bracket affordable. Of this, about 54 per cent users belonged to the megacities of Delhi, Mumbai, Chennai, Bangalore, Hyderabad and Kolkata. The remaining 46 per cent came from smaller cities and towns like Nasik, Ludhiana, Batala, etc. This search for their dream home leaves Indian internet users with homes normally confined to the extreme

# Conference Session



## 8

suburbs or peripheries of large and small cities.

The respondents came from all classes of cities and the search was largely for personal immediate use. These survey results represented the dreams and aspirations of a cross section of people including the service class, businessmen, lawyers, professors, house wives and young professionals. Most had been looking for property in the last six months or so and were trying to match what was available with what they desire. Standalone houses was still the most dominant segment of demand followed closely by group housing in the affordable category.

The basic level of services the respondents aspired to included water and power back-up, and scored significantly over premium lifestyle features, such as clubs & swimming pools, that most big developers offer. Obviously, when you look at affordable housing, you want a home that offers a comfortable lifestyle but not luxury features.

We followed this netizens' survey with a sample offline survey across five cities to corroborate our findings. The cities surveyed were Mumbai, Hyderabad, Chandigarh, Coimbatore and Lucknow. This ratified our online survey results.

After the churn in the global markets and to some extent in the Indian market as well, On December 28th 2008, the government of India announced a differential rate of interest on home loans favouring the below Rs 20 lakh category. With land prices still high, the only way the housing could become affordable to the masses was by reducing unit sizes – a reality that the government of India was already aware of in 1998, when the Section 80 IB (10) tax incentive was offered to private developers. Today almost all developers, facing a slowdown from end users and a complete exit of investors have opted for the smaller unit size model.

This is when Brix Research, the research wing of magicbricks.com decided to go back to our consumers to understand how they reacted to the tax incentives.

Eighty seven per cent of potential home buyers said they were seeking good deals in a slowing market. Potential real estate buyers saw a slow market as an opportunity to buy their dream home at discounted prices. Just 13 per cent of the respondents feel otherwise, according to a MagicBricks.com's Brix Research Survey.

Respondents from metros such as Bangalore, Kolkata, Delhi NCR, Mumbai, Hyderabad and Chennai as well as smaller cities such as Kanpur, Ahmedabad, Nagpur, Mysore, Jamnagar and Haridwar participated. Some responses also came from overseas Indians in Oman and the US.

Respondents welcomed measures such as differential home loan interest rates for budget homes. The survey by Brix Research revealed that market revival measures such as a cut in home loan interest rates does prompt users to consider buying property.

The participants of this survey belonged to varied social and economic backgrounds. About 40 per cent of respondents were in the age group of 20-30 years while another 38.2 per cent belonged to the 30-40 age groups. Of the respondents, about 57 per cent said that they had purchased property or owned property. The remaining 43 per cent did not own any property.

About 52.2 per cent respondents said they could spend between Rs 10-30 lakh to purchase a house. Another 30.5 per cent said that they could spend anything between Rs 30-60 lakh for this purpose. Just 2.7 per cent said that their estimated budget was above Rs 1 crore.

Reacting to the government move, the Confederation of Indian Industry (CII) said in a press release "With the phenomenal increase in population and urbanisation, the shortage of housing is expected to increase from 24.7 million dwelling units in 2007 to 26.5 dwelling units by 2011. About 90 per cent of the shortage of housing is in this segment. Any fillip to this segment of housing will spur economic activities, stimulate demand and generate employment.