

# CREATION OF HOUSING STOCK IN INDIA

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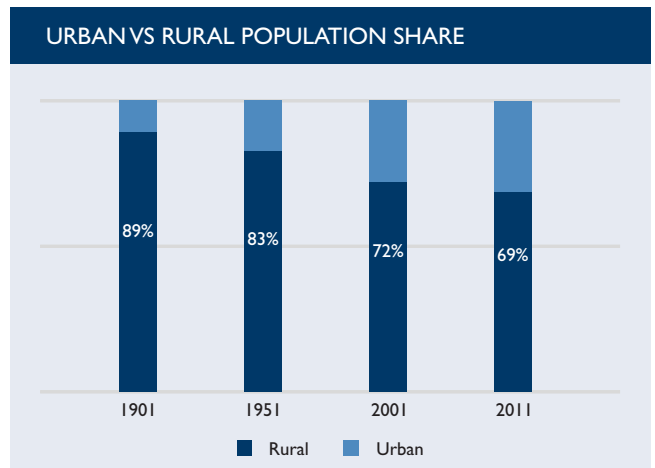


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## SIGNIFICANCE AND THE CURRENT NEED FOR HOUSING

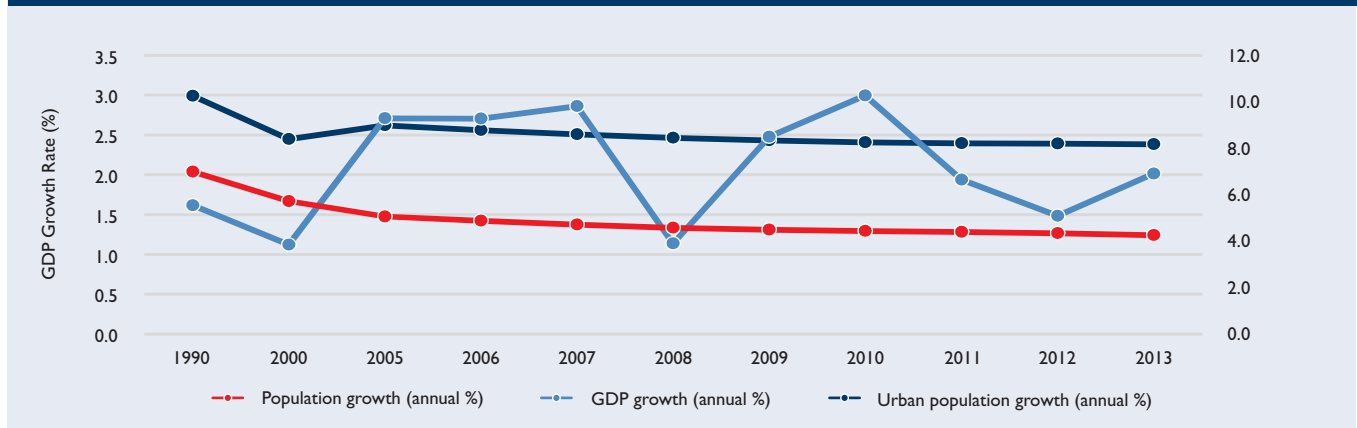
Over the last few decades, due to massive urbanization, increasing income levels and changing demographics, there has been increasing pressure on transportation, housing, land, and other urban services to accommodate the future population. Whilst the overall population growth has declined over the last decade, urban population growth continues to be almost twice the annual national population growth rate. Urban population in India may reach 600 million by 2031 (over 50% of the total population), from 377 million in 2011 and the total number of cities is expected to rise to 87 (from 50 in 2011). Further, the urban share of the GDP is projected to increase to 75% in 2031 from an estimated 62-63% in 2009-2010. (The High Powered Expert Committee (HPEC), 2011)<sup>1</sup> Consequently, there is a dire need to improve the quality of life in our cities and to address the current



Source: Census 2011

and anticipated future shortage of housing along with other infrastructure deficit prevalent in our urban centers.

### INDIA: POPULATION AND GDP GROWTH RATES



Source: World Development Indicators, The World Bank (2015)

<sup>1</sup> The High Powered Expert Committee (HPEC) for Estimating the Investment Requirements for Urban Infrastructure Services, (2011). Report on Indian Urban Infrastructure and Services.

### HOUSING SHORTAGE IN INDIA

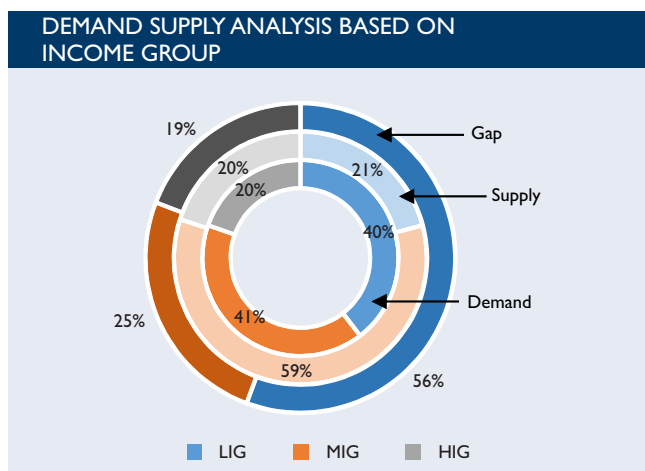
At the national level, the government estimated the total urban housing shortage at 18.78 million units in the 12<sup>th</sup> year plan (The Technical Group on Urban Housing<sup>3</sup>, 2011). Within these 18.78 million units, the housing shortage amongst the Economically Weaker Section (EWS) and the Lower Income Group (LIG) is extraordinarily high with a 96% share of the total shortage. According to the Ministry of Housing and Urban Poverty Alleviation (MHUPA), EWS and LIG typically have annual housing income ceilings of INR 100,000 and INR 100,000-200,000 respectively. Also, the rural housing shortage is estimated at 43.67 million units, of which more than 90% households are below poverty line. To meet this housing shortage<sup>3</sup>, the government estimated at least 16.29 million new affordable housing units were needed, whereas 12.67 million houses were needed to decongest existing homes with undesirably high occupancy. Some of the households that are in need for refurbishment do not have

access to basic infrastructure. (National Housing Bank (NHB), 2011)<sup>4</sup>.

Further, as per Cushman & Wakefield Research, India is likely to witness urban housing demand of nearly 13 million units by the end of 2018. Of this, about 19% demand (2.47 million units) would arise from the top eight cities in India, with LIG (0.85 mn units) and MIG (0.88 mn units) segments likely to account for the major chunk (about 80%) of the total demand. Nearly 1.3 mn units are currently in various phases of construction across these cities with an additional 1.0 mn units expected to be launched by 2018. While a supply shortage is anticipated among all income groups, LIG housing is expected to bear the brunt with the highest mismatch in demand-supply.

LIG housing is expected to witness a shortfall amounting to 56% of the total estimated shortfalls in the top eight cities. Although 59% of the total anticipated supply is expected in the mid segment, a shortfall of 25% is foreseen by the end of 2018.

Developing accessibility to urban services and urban infrastructure needs to be undertaken simultaneously with the housing development to make the latter a sustainable option. In order to meet the housing shortage, in 2011 the government estimated a total capital requirement of INR 849,440 crores, of which 67% is estimated for building fresh housing, 15% for



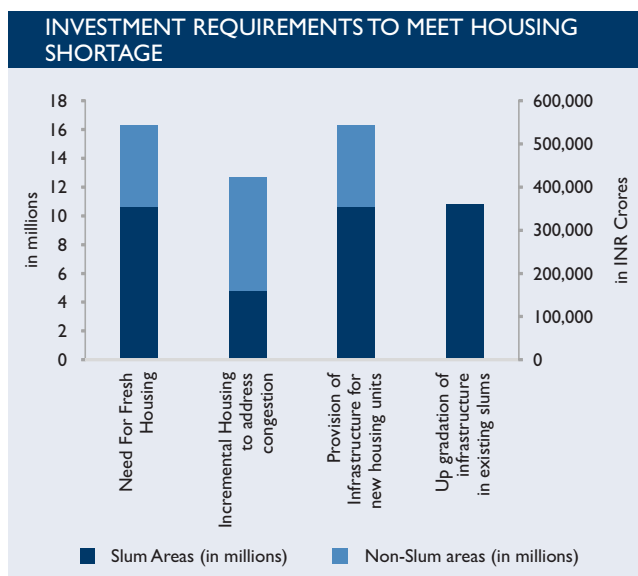
Source: Cushman & Wakefield Research

<sup>2</sup> Ministry of Housing and Poverty Alleviation National Buildings Organization (MHUPA). (2011). Report of the Technical Group on Urban Housing Shortage (TG-12) (2012-17)

<sup>3</sup> Government estimates of housing shortage include homeless households (fresh homes), congested households, homes in dilapidated condition and up-gradation of existing houses. Also, the investment estimates were calculated using the housing shortage projected for the year 2011-12 in the 11th year plan, as a base year shortage, at the beginning of the 12th year plan.

<sup>4</sup> National Housing Bank. (2012). Report on Trend and Progress of Housing in India, 2012.

<sup>5</sup> C&W research has incorporated demand-supply methodology on the basis of supply trends and demand projections, to arrive at these estimates. These estimates do not incorporate the Ministry of Housing and Urban Poverty Alleviation (MHUPA)'s housing shortage estimates of 18.78 million. 1.LIG – Households earning up to INR 150,000 per annum and above poverty line; 2.MIG – Households earning INR 150,001 to INR 1mn per annum; 3.HIG – Households earning above INR 1mn per annum



Source: National Housing Bank, 2011

providing infrastructure to new houses, and the remaining for upgrading infrastructure and addressing congestion for existing homes.

Both the private and the public sectors have established the

shortage of housing, especially for EWS and LIG. The demand for affordable housing is increasing in tandem with rapid urbanization and there is a dire need to bridge the demand-supply gap in this segment, to meet the basic requirement of every individual and to achieve sustainable and planned growth.

### THE DUALITY OF THE PROBLEM: PUBLIC VS PRIVATE HOUSING

As the central government launches an ambitious project to provide 'housing for all citizens by 2022,' the emphasis on affordable housing could not be stronger. Interestingly, the perspectives between the public and private stakeholders towards housing vary greatly. For example, various stakeholders interpret the term 'affordable', differently and because of which there is a mismatch between the demand and supply. In most cases, the affordable segment targeted by the private developers is in the LIG and the cost of one unit is beyond the reach of household in both EWS and LIG. The needs of these marginalized groups are neglected as they are not viewed as attractive target groups.

Affordable housing as defined by the government is more relevant for EWS and LIG whose annual housing income ceilings are less than INR 200,000. According to MHUPA, the equated monthly installments (EMIs) for the affordable housing should not

housing deficit. Without such an approach, the task of creating large-scale housing stock cannot not be successful.

### CONSTRAINTS IN DEVELOPING HOUSING STOCK IN INDIA

- **Limited availability of land:** With growing population and expanding cities, there is paucity of land that can be developed for creating new housing stock. Incoherent development standards and zoning regulations result in haphazard development and irregular distribution of population densities. Due to these factors, development in core urban areas becomes expensive making it tougher to create large-scale affordable housing stock in cities. Hence, affordable housing projects are generally developed in the peripheral areas of the city, where such projects can be financially viable considering the lower cost of land, but such projects are usually not well connected and serviced by public transportation and urban services. This raises daily commuting costs adding to the overall expenses at a household level, thereby negating the whole purpose of creating affordable housing for a particular section of the society.
- **Private sector participation in providing low-income housing:** Private sector's participation in the creation of low-cost

SEGMENT	INCOME CEILING (HOUSEHOLD INCOME PER ANNUM) <sup>6</sup>	UNIT SIZE <sup>7</sup>	EMI OR RENT <sup>8</sup>
EWS	INR 1,00,000	Minimum SBA: 300 sf	Minimum CA: 269 sf
LIG	INR 1,00,001 – 2,00,000	Minimum SBA: 500 sf	Minimum CA: 517 sf
MIG	INR 3,00,000 – 10,00,000	Minimum SBA: 600-1,200 sf	Minimum CA: 861 sf

**Note:** EWS: Economically Weaker Section; LIG: Lower Income Group; MIG: Middle Income Group; SBA: Super Built up Area and CA: Carpet Area

exceed 30-40% of the owner's gross monthly household income. In addition, typically the unit sizes should be between 300-500 sf.

Whilst trying to achieve the goal of creating significant housing stock, it is crucial to understand that multiple players operate in the same territory; therefore, various strategies must be developed and implemented concurrently to engage all players. Additionally, the barriers to creation of the right kind of housing stock should be addressed holistically. It is imperative that the public and private sectors work together to overcome the

housing stock in India has been limited due to the reasons such as limited margins, longer time frames for such projects, rigid institutional and regulatory frameworks, etc. Further, many developers have been facing liquidity crunch because of restricted access to bank lending, post the global financial crisis of 2008. A slowdown in residential sales amidst high interest rates on housing loans has also added to their woes. The only available avenue for raising capital has been by way of private equity (PE) or similar sources, which is generally an expensive method of raising capital. This has also restricted their ability to develop more housing units.

- **Inaccessibility of home-buyers to Financial Institutions:** Financial exclusion of the vulnerable and weaker sections

<sup>6</sup> As per The Ministry of Housing and Urban Poverty Alleviation's (MHUPA) letter dated November 14, 2012

<sup>7</sup> Guidelines of Affordable Housing in Partnership (Amended), MHUPA, 2011

<sup>8</sup> Guidelines of Affordable Housing in Partnership (Amended), MHUPA, 2011



from the formal banking system limits their prospects of buying or building their own homes. Lack of proper documentation and/or collateral for obtaining loans, and/or in some cases, lack of clear titles for the target house to be purchased act as deterrents. These constraints, limit the scope of an individual to purchase a new home or make the necessary infrastructure improvements to preserve the existing homes from deterioration.

- **Infrastructure and service delivery gaps:** The Twelfth Five year plan (2012-2017) estimates an annual expenditure of INR 108,168 Crores, INR 50,780 Crores and INR 1 lakh crore for urban water supply, urban sewerage, and urban transportation respectively, to meet the current needs. According to NHB's estimates, at least 16.29 million homes require new infrastructure (water, sewerage, electricity, sanitation, and transportation facilities among other necessities). The absence or inaccessibility to basic services restricts the locations where new housing stock can be created.
- **High construction costs:** One of the major determinant of total housing cost other than land is the cost of the construction itself. As the raw material costs increase over a period, it becomes very difficult to provide housing at reasonable costs.

- **Rigid & tedious regulatory framework:** The existing regulatory framework involves lengthy, time-consuming procedures and approvals for developing new housing stock. As a result, construction timelines are usually extended and by the time this stock becomes available, the requirement increases massively considering the significant rise in population. In addition, urban planning is rigid and does not provide necessary guidelines and mechanisms for development activities, to generate the desired density of development, which is financially, socially, and ecologically viable.
- **Issues of land entitlement:** In India, whilst it is compulsory to register sale of land, the Indian Registration Act of 1908 does not require the registration authority to verify the history of the land or the land ownership of the seller (Ramanathan, 2011<sup>9</sup>). In addition, the Act does not require all land related transactions (for example inheritance partitions, mortgages and agreements to sell, land orders, etc.) to be registered. This offers little protection to the buyer of the land parcel and also leads to land litigation complications that make development a hassle by increasing time and money spent on land acquisitions. When land is a scarce resource, legal complications only limit accessibility to available land parcels for development, which further impacts the creation of housing stock.

<sup>9</sup> Ramanathan, S. (2011). Introduction of Land Title Certification System State Level Reform. JNNURM Primers



## EXISTING REGULATORY FRAMEWORK FOR HOUSING CONSTRUCTION

### CENTRAL GOVERNMENT INITIATIVES

The central government has played a key role in establishing long-term goals at the country level and providing funds for the development of affordable housing. In most cases, the central government has collaborated with the state governments to provide monetary as well as on-the-ground support for better implementation of policies and initiatives related to housing creation. Some notable initiatives are mentioned below.

#### Indira Awaas Yojana

- Aimed to provide financial assistance for construction of new homes for households Below Poverty Line (BPL).
- The central and the state governments met the funding obligations in 75:25 ratio.
- Between the years 2008 to 2014, the scheme disbursed funds to about 1.65 crore households, covering 85% of the targeted numbers.

#### Rajiv Awas Yojana

- Aimed to provide land rights to the slum dwellers.
- Includes The Mortgage Guarantee Fund, with a corpus of INR 1,000 crores,
- Comprises Affordable Housing in Partnership (AHP) scheme to increase accessibility to affordable housing.
- Covers Credit Risk Guarantee Fund (CRGF) providing guarantees loan of up to INR 500,000 to beneficiaries.

#### The Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

- Targets to improve urban infrastructure, service delivery mechanisms, and accountability of Urban local bodies (ULBs).
- Provision of housing is one of the main agendas of the mission with a total allocation of INR 66,100 crores to add 15 lakh homes.
- At the end of March 2014, a total of 15 lakh homes were sanctioned.

#### Rajiv Rinn Yojna

- Mandated to provide an interest subsidy of 5% per annum on housing loans up to INR 300,000 for EWS and 500,000 for LIG.
- Between FY 2010 and 2014, only 9,534 beneficiaries received loans.

### STATE GOVERNMENT INITIATIVES

Various state governments have also implemented many projects to create housing stock. In some cases, the states have provided financial support directly to the end-users. Select state level policies have been summarized below:

#### RAJASTHAN

##### Model No-1: Mandatory Provisions

- Rajasthan Housing Board to construct plots/houses/flats for EWS/LIG (50%) and MIG-A (20%) in its schemes.
- All ULBs including Jaipur Development Authority, Jodhpur Development Authority, Urban Improvement Trusts and Municipal bodies to allot/construct at least 25% plots/houses/flats of EWS/LIG in their residential/housing schemes. Another 20% of the plots/houses/flats to be allotted to MIG-A.
- Private developers to reserve 15% of the dwelling units for EWS/LIG housing in each of their Township/Group Housing Schemes.

##### Model No-2: Development on land owned by private developers

- Developers to allocate and construct flats (G+2/G+3 format) on a minimum of 40% of the total land for EWS/LIG, which will be handed over to the nodal agency (Avas Vikas Limited) at pre-determined prices. Remainder of the land to be built as per developer's choice.
- Incentives offered to developers: Double FAR; TDR facility; waiver of External Development Charges (EDC), Building plan approval fee, conversion charges; 10% of the total land allowed for commercial use; fast track approval etc.

##### Model No-3: Private developers on acquired land

- The selected developer can take up construction of EWS/LIG flats (G+2/G+3) on the land under acquisition by ULBs. The land would be made available to the developer on payment of compensation (Land Acquisition cost + 10% Administration charges)

- All other parameters to be followed and incentives to the developer would be as per Model No. 2

Model No-4: Private developers on Government land (For Rental housing or outright sale basis)

- Earmarked government land to be offered free of cost to the developer that will be selected through an open bidding process. The developer offering the maximum number of EWS/LIG flats (Built up, G+2/G+3 formats) free of cost to the ULB would be awarded the project. At least 50% houses should be of EWS category
- The developer shall be free to use the remaining land as per his choice for residential purpose with 10% for commercial use
- All other parameters to be followed and incentives to the developer would be as per Model No. 2

## GUJARAT

Policy 1: Included in Regulations for Rehabilitation and Redevelopment of the Slums, 2010 and aimed at rehabilitation of slums

- The public sector involvement is through regulations and incentives such as additional FSI. The developer redevelops slums and provides housing at no cost to the existing slum dwellers
- For the scheme to be approved for construction, a society of individual slum dwellers must be formed and 75% of these individuals must agree to the scheme

Policy 2: Included in Regulations for Residential Townships Act, 2009

- Projects where private developers have purchased at least 40 hectares of land (in cases where Urban Development Authorities exist) or 20 hectares of land (in other relevant authority areas), 5% of the area must be reserved for EWS housing

Policy 3: Under town planning schemes

- Every owner within specific boundaries must provide 30-40% of the land to government

- Government pays market rate for the land and provides the entire infrastructure

- 10% of the land is reserved for affordable housing

Policy 4: Included under the Urban Land Ceiling and Regulation Act

- Transfer of surplus land to ULBs at nominal rates for projects focused on EWS/LIG housing by the government
- Special provisions for the development of low cost housing
- The owner / authorized developer is expected to provide a minimum built up area of 20 sqm, subject to a minimum carpet area of 14 sqm, to slum dwellers along with water supply, drainage, and electricity

## MAHARASHTRA

Affordable Housing Scheme<sup>10</sup>:

- Government provides FSI of 3.0 to projects being developed under the scheme. In return, government will receive 25% of units that will be allotted to LIG households.

Special Township Policy<sup>11</sup>:

- Developers to get additional FSI of 20% under Special Township Policy that encompasses development of at least 40 hectares of contiguous land parcel. In return, 33.3% of tenements / 20% of built-up area in of the township to be used for EWS / LIG houses and handed over to the government at construction cost.

Redevelopment of Old Buildings:

- Redevelopment of old building structures incentivized to enable optimum utilization of permissible FSIs and create additional housing stock.

Slum Rehabilitation Scheme:

- Private developers are allowed to undertake slum rehabilitation projects wherein developers receive additional FSI ranging between 1.0x – 1.66x

## MADHYA PRADESH<sup>12</sup>

PPP Policy

- MP Housing Board to provide land to private developers for developing the project
- Private developer to construct and deliver pre-determined number of affordable housing units to MP Housing Board, free of cost
- Private developer to also bid premium for taking up the project and project to be allocated to highest bidder

<sup>10</sup> accommodationtimes.com. Retrieved from <http://accommodationtimes.com/cm-introduced-new-affordable-housing-model-against-rental-housing-scheme/>

<sup>11</sup> Ministry of Housing & Urban Poverty alleviation. Retrieved from [http://mhupa.gov.in/VV\\_new/Annexure\\_10\\_Sudhanshu\\_Affordable\\_Housing\\_in\\_Maharashtra.pdf](http://mhupa.gov.in/VV_new/Annexure_10_Sudhanshu_Affordable_Housing_in_Maharashtra.pdf)

<sup>12</sup> Madhya Pradesh Housing & Infrastructure Development Board. Retrieved from [http://www.mphousing.in/Services/FlashFile/Graphic\\_071014042126.pdf](http://www.mphousing.in/Services/FlashFile/Graphic_071014042126.pdf)



In Rajasthan, the adopted four policy models require developers to allocate specific proportion of the projects for developing units for lower income strata depending on the ownership of the land. Gujarat follows four policies for allocating land and financial resources towards improving availability of housing units for target beneficiaries. Maharashtra has worked towards redevelopment of slums and old building structures through greater FSI to incentivize private developers. Madhya Pradesh has adopted a public private partnership (PPP) model for promoting affordable housing development and it plans to add 500,000 units by 2018.

Additionally, the central government has proposed several ambitious projects such as the development of 100+ Smart Cities, Make in India and development of Industrial Corridors, to address the future problems of urbanization. Some of these initiatives can be aligned with the 'Housing for All by 2022' agenda as these would include construction of satellite towns near mega cities, upgradation of existing mid-sized cities and construction of settlements along industrial corridors, in addition to building new cities over a period of 20 years.

#### AFFORDABLE HOUSING SCHEMES IN DELHI-NCR

Until 2013, the Delhi Development Authority (DDA) allotted around 395,000 flats including re-allotment of surrendered and cancelled flats and almost half the allotments were to the weaker sections of society and the LIG segment. In 2014, DDA offered only about 25,000 flats and plans to launch around 40,000 flats in its new upcoming housing scheme in 2016. Whilst the Authority is making efforts towards creating a housing stock in the city, it has faced many issues in increasing its building stock as it does not have the required financial capacity to acquire large parcels of land. It also encountered difficulties in getting the land owners onboard and there was a lack of transparency in the land acquisition processes. Consequently, the **DDA proposed a land pooling policy in 2014**, which essentially means that small parcels of land will be legally assimilated by transfer of ownership rights to the designated land pooling agency. Land owners offering 2 to 20 hectares of land for development will receive at least 40% of the land back post development completion, whereas those who are giving away more than 20 hectares of land will receive 60% of the pooled land back upon the completion of the development activity. The remainder would be retained by DDA to be utilized for specific purposes for the benefit of the public. Land pooling policy also dictates guidelines on the creation of housing stock for EWS in the pooled land parcels.

**Haryana Government announced an 'Affordable Housing Policy 2013'** in August 2013 to encourage group housing projects at pre-determined rates to be built within a set time frame as dictated by the policy. To facilitate this, the FAR was increased to 225 from 175 for normal group-housing projects and the ground coverage was increased from 35% to 50%. Further, developers were given exemptions on license fees and infrastructure development charges. The developer is allowed to construct a unit size between 300 to 645 sf, which would cost about INR 12 to 25 lakhs, respectively. These projects have to be completed within 4 years from the date of the approval of the building plan or environment clearance grant, whichever is later. Projects launched by developers under this policy have gained popularity as the prices have been maintained within affordable ranges even in prime locations. The projects offer basic necessities including a community hall and a crèche within the community premises. The policy dictates the parameters for the selection process to be followed by the developer and the beneficiaries are allotted apartments based on a draw of the eligible applicants conducted under the supervision of a committee.

#### ISSUES AND CONCERNS WITH THE GOVERNMENT SCHEMES:

Aforementioned policies and initiatives illustrate strong intent on part of the governments to enhance housing supply for EWS and LIG. However, the implementation of such schemes has been marred by numerous factors, leading to lower than anticipated impact on ground.

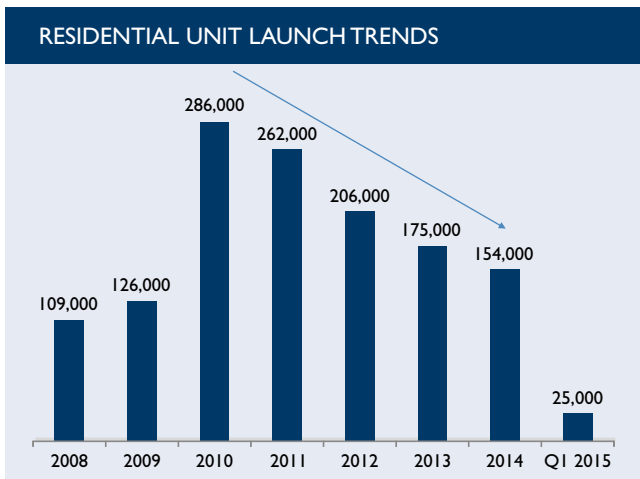
The methodologies adopted for identifying target beneficiaries and the setting up of the subsidy/ grant limits for the beneficiaries are unclear. Whilst the responsibility of identification of beneficiaries and channeling of funds rests with local governing bodies, the existing system lacks checks and balances to assure that the allocation is taking place in a rightful manner. In addition, in some cases, the quantum of assistance provided in various schemes covers low proportion of unit cost. This problem is more acute in urban areas where unit costs are considerably high and government assistance may not be adequate to encourage target beneficiaries to purchase their houses.

Monitoring and evaluation of these government schemes also seems limited. In addition, there is inadequate documentation of the implementation of the policy, to help analyze the obstacles and achievements of the project. There is a dire need for qualitative data to support the quantitative achievements of the schemes/policies, to truly measure the success of the programs

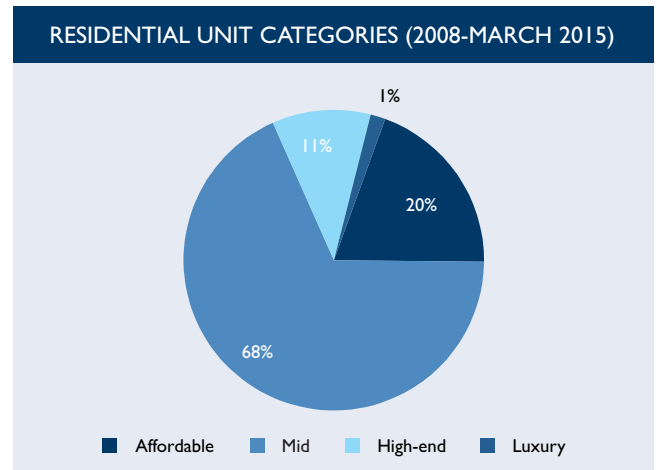
and check if the target beneficiaries are really gaining from these initiatives. In addition to this, lack of awareness, and inadequate dissemination of information limits the reach of these schemes and policies. There is an urgent need to address some of these issues to expand the overall reach and impact of the programs and aid in the design of future government programs and initiatives.

## PRIVATE SECTOR PARTICIPATION IN THE CREATION OF HOUSING STOCK

With increasing urbanization, the need to create large-scale housing stock increased tremendously in the country. The ULBs in congruence with the government and regional development authorities were incapable to keep pace and address the massive housing needs emanating in various urban locations and this paved the way for entry of private developers in the residential sector. During the past few years, many large and small developers entered the market and offered residential housing units catering to the urban population. According to Cushman & Wakefield Research's findings, about 1.3 million units were launched by the private sector across top eight cities in India



(Ahmedabad, Bengaluru, Chennai, Delhi-NCR, Hyderabad, Kolkata, Mumbai, and Pune) between 2008 to March 2015, which is an average of around 185,000 units per year. However, considering the subdued demand conditions prevailing for the past few years, unit launches seem to have declined significantly and private developers are adopting a cautious approach and launching new projects only after due consideration of the prevailing market conditions.

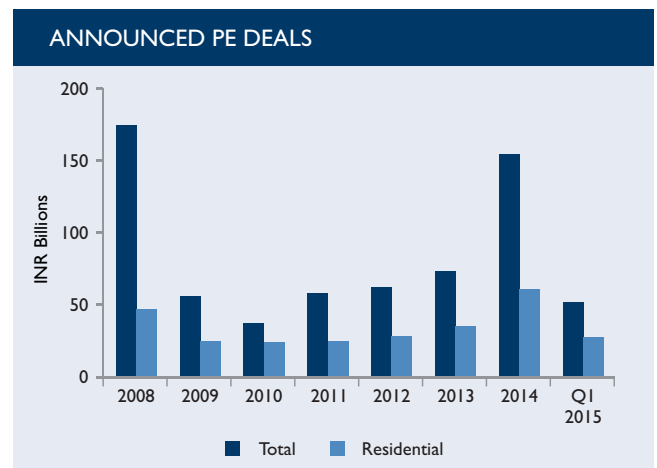


Of the total units launched so far, about 68% unit launches were in the mid segment, 20% in affordable and the remaining catered to the high-end and luxury segment.

As depicted below, although private developers contributed significantly to creation of housing stock in the past few years, their focus was mainly on mid and high-end segments and not the affordable segment, thereby creating a significant demand-supply mismatch. This was primarily due to high land values in the urban areas and for the reasons mentioned in the constraints earlier. As a result, creation of housing stock by the private developers did not really contribute significantly to the mass housing requirement in the country and the gap (in the affordable segment) continues to widen every year.

### INCREASING PRIVATE & INSTITUTIONAL FUNDING IN HOUSING

Between 2012 and 2014, PE funds have pumped in around USD 2.0 billion compared to USD 1.2 billion between 2009 and 2011 in residential developments, which is a significant increase of 70%





(Real Capital Analytics, 2014; C&W Research, 2014; VC Circle, 2014). This surely indicates that the capital inflows in the residential sector are improving; however, the PE funds are taking a cautious approach and investing only in good projects of reputed developers. As a result, creation of quality housing stock becomes imperative to attract global funds in the country.

It is the need of the hour for the government and regional development authorities to take necessary actions for attracting private sector to the affordable segment and increase their contribution in creation of mass housing stock in the country. As

private developers are already facing financing issues amidst subdued demand and restricted access to debt funding, PE players have emerged as an important alternate source to meet the funding requirements. Several funds have shown interest in the affordable housing space, which faces the most shortage of homes and the highest demand. The government has taken a right step towards attracting even more global funds in affordable housing projects by relaxing FDI norms in terms of built-up area and capital requirements in the Union Budget of 2015-16. Due to this relaxation, PE funds are expected to increase their presence by financing affordable housing projects in the country.



## CASE STUDIES

In order to develop a holistic perspective for creation of housing stock in India, it is important to study some successful models

adopted in other countries and assess the ways and means to adapt the same in the current Indian circumstances.

APPROACH	CASE STUDY	TAKEAWAY FOR INDIA
Incentivizing private sector for active participation in creation of housing stock	<p><b>Jingji Shiyong Fang Program – China</b></p> <p>Designed for lower-and middle-income urban residents, this program began to develop houses at half the market price. To strengthen private sector participation, in the mid 1990s the Chinese government provided subsidies in the form of tax exemptions, free land allocation, reduction in development costs and fees to private developers. Developer profits were limited and units were generally smaller than commercial apartments to maintain affordability. Actual selling prices were kept under control to ensure that they remain below agreed upon thresholds in order to avoid capture of the subsidy by developers.</p>	<p>The Government of India has to incentivize private sector in the form of cheap land, reduced raw material prices, additional FSI, etc. to increase their participation in creation of housing stock. This would give a thrust to Private Public Partnership (PPP) model in the sector. PPP projects can play a significant role in bridging the demand-supply gap for urban housing as they can attract capital for developers who are cash strapped. The PPP model has not taken off in the affordable segment, as private developers have very limited incentive to operate in this segment. By providing tax exemptions and reduction in developmental costs, the government would be able to lure private developers. Additionally, a PPP project may help secure lending from institutional lenders at lower cost and ensure timely approvals. Typically, the public sector should look at aggregating land for project, whilst the private sector should focus on the construction, financing the project, etc. In the long term, the government could also consider increasing institutional lending to the sector so that more private developers come into the fold.</p>
Streamlining procedures, developing good housing options and incentivizing home buyers	<p><b>Singapore's Housing Development Board (HDB)</b> - Public housing in Singapore is developed and operated by HDB, which is an intermediary between the government and the end-users. Over four-fifths of Singaporeans presently live in HDB flats, from a mere 9% in the 1960s. Most of the flats are purchased on 99-year leases. HDB provides 25-30 year-old term loans at interest rates that are 1-5% lower than market rates. The HDB is not just a provider of low-cost housing, but it also manages estates, reclaims land, etc. that contribute to its income. While the government supports HDB financially, the HDB funds its projects through its various income-generating activities. Interestingly, HDB has worked efficiently with scarce land availability to build high-rise, high-density homes in Singapore.</p>	<p>The government can take a cue from Singapore and enable local bodies by giving them the mandate to develop an effective affordable housing program, even while it provides some aid. One way to arrive at this would be to decentralize decision-making. In India, the municipal bodies/ ULBs need to be empowered both administratively as well as financially. This would allow the identification of local problems (that usually go unnoticed in a nation-wide implementation plan) and developing context specific solutions.</p>



APPROACH	CASE STUDY	TAKEAWAY FOR INDIA
<p>Integrated housing plans along with ensuring availability of necessary funds through government funding mechanisms</p>	<p><b>Curitiba City – Brazil</b></p> <p>To accommodate large-scale population growth in an effective manner, Curitiba was transformed into an important industrial and commercial center with a large and healthy industrial sector. Housing has always been a part of the city integrated planning process and the Curitiba Popular Housing Company (COHAB-CT) works in close co-operation with the Institute of Research and Urban Planning (IPPUC) to ensure a continuous supply of low-cost housing, which is renowned for its quality and for helping to restore a sense of citizenship to the people. In the 1970s, the city turned away from conventional large housing complexes, preferring to break up large projects into smaller and better-integrated ones, using the already existing infrastructure. Even the smallest complexes have schools, day-care centers, and health centers included. Funding is made available for self-build projects, for the purchase of urbanized lots, for urbanization and regulation of irregularly occupied areas and for partnerships with the private sector where building advantages are traded for lots and housing units. In order to overcome the lack of resources to meet housing needs, the Municipal Housing Fund was created in 1990. This provides funds for low-income housing from private developers through levies charged on new development permissions.</p>	<p>The Government of India has to adopt a holistic approach for tackling the housing problem. Developing integrated and self-sufficient housing complexes and creating funding mechanisms for cash strapped developers to actively participate in developments of affordable houses is an area, which needs significant work on. The Government of India has taken the right steps through its “Smart Cities” initiative, but it needs to ensure that the initiative is successful by creating all necessary support mechanism such as land, resources, funds, etc. in a timely manner.</p>



## CONCLUSION

With stable governments in the Centre and almost all states, India can actively engage in creating housing stock. The central government has prioritized 'housing for all by 2022' to provide 2 crore houses in urban areas and 4 crore homes in rural areas. Further, it has allocated a sum of INR 4,000 crores to provide affordable housing for the urban poor through the NHB with an aim to increase the flow of cheaper credit for affordable housing.

However, the goal of 'housing for all by 2022' seems to be a daunting task, especially as the implementation strategy and road map have not been developed as yet. The public sector may find it

difficult to mop up such enormous funds alone and mobilize additional resources such as technology, expertise, labor and, construction capability to develop this mass scale project. The private sector can add value in this aspect, through its expertise in delivering quality and fast projects.

So far, there is drive and intent to improve the overall quality of life in both urban and rural areas. However, the motives of different players vary significantly, and the resultant product is different from what is often envisioned. India needs a multiple-pronged approach to address the housing problem. There is tremendous scope for various collaborative efforts that can be



encouraged between the public and private stakeholders, however the constraints and issues of both the players have to be addressed judiciously.

### DEVELOPING A HOLISTIC OUTLOOK

The public sector initiatives towards addressing housing woes have been driven in isolation till now. Housing shortage cannot be addressed if the necessary infrastructure is not in place. This would imply having availability and accessibility to water and sanitation, electricity, roads and transportation, amongst other necessities.

- **Regional Planning**

Urban planning in India requires a major overhaul. Although, the existing policies specify the need for a regional plan, very few cities have adopted it. The vision and future of a regional development plan will present a unified strategy for economic development along with addressing the common social, economic, ecological, geographical, and other constraints. Typically, these long-term (typically 20 year vision) plans at the regional level need to translate into smaller 5-year development plan at city/town level. These 5-year plans will present specific projects in alignment with the overall vision. The Smart Cities initiative and development of Industrial Corridors have tremendous potential to display regional planning strategies that can be converted to specific guidelines at the local level.

*Strategy:*

- **Strengthening planning bodies and restructuring the regulatory bodies:** Currently the planning authorities function separately from the public works department. Power generation, distribution of water and other services also function independently. Similarly there are several departments that contribute to the functioning of the city as a unit. However, overlapping jurisdictions and lack of a common platform to interact, limit the implementation of one unified vision. Before undertaking the exercise of regional planning, regulatory bodies need to be restructured at every scale (state, town/ city/ village) to allow greater collaboration between all regulatory bodies involved.
- **Land use + Transportation + Sustainability**

In an integrated approach, urban planning would also combine land use, transportation, energy, water, sustainability as a holistic vision. That would also allow all players to effectively plan and develop strategies based on guidelines presented by the authorities at both regional and local levels. Sustainability needs to be an integral part of the approach to deal with the issues of urbanization and haphazard expansion and development.

*Strategy:*

**Transit-oriented development:** This method organizes mixed-use development around transportation nodes. Land-use and zoning allows greater connectivity between destinations and brings work and living spaces in close proximity to each other. Greenfield development and expansion will be restricted and redevelopment of core urban areas will be encouraged. Affordable housing can easily be accommodated within these redevelopment plans, reduce mobility constraints, enhance walkability and improve the overall quality of life in cities. Similar concepts can be applied and adopted to deal with multiple issues under the umbrella of a larger development concept.

### ENHANCING GOVERNANCE

For an effective implementation of any large-scale initiative, governance needs to be strengthened. Currently, the ULBs are financially dependent and have little autonomy to take local-level decisions. When a clear regional level plan can be established, the local players in the public sector have to be activated to apply the larger vision at the local level through custom-made strategies that capture the nuances.

*Strategy:*

**Incorporating ICT into governance:** Along with the restructuring of the governance, there is a need to integrate information and communications technology (ICT) into all government departments and process. This would simplify procedures, increase accessibility and accountability of services. The monitoring and tracking of implementation of government schemes could be made easier. Moreover, the private sector's need for a single window clearance, and greater clarity in processes and approvals can be achieved. The technology upgradation will need to be implemented in different stages. First the capacity of the staff involved needs to be upgraded. Funds need to be channelized to develop the right technology to achieve these broader objectives. The transition into the newer methodologies will require certain level of hand holding from external support. Finally, the citizens will require knowledge dissemination and awareness to use these innovative technologies to their benefit. These process will also help the citizens avail the policies and schemes that are available to them, including housing schemes.

### ADDRESSING FINANCIAL EXCLUSION

Low access to credit facilities is a huge hindrance to consumers in for EWS and LIG households. It is essential to bridge the gap between affordability and the purchase points. Ironically, in India, the penetration of the banking system is far lesser than even mobile phones. According to the Nachiket Mor Committee



(2013)<sup>13</sup>, more than 60% of the adult population, both in urban and rural areas, is still excluded from basic services such as having a bank account for savings and remittance purposes. Accessibility to financial institutions needs to be addressed at a larger scale. Banking sector needs to be seen as a potential active partner to generate the desired housing solution.

*Strategy:*

#### Supply-side

- **Priority Sector Lending:** Currently, banks are required to direct 40% of their total credit to the priority sector consisting mainly of agriculture and allied activities and small and medium enterprises. In the same way, RBI could make it mandatory for banks to give a specified proportion of their loans to EVS and LIG. The housing sector would be given a boost only if Indian and foreign banks are also directed towards this disbursement to ease availability of loans for affordable housing. While according to RBI guidelines, housing loans below INR 25 lakh to individuals and families add up as priority sector lending, the average loan amount of some low-cost housing finance companies is only INR 4.5 lakh.
- **Taking Banking Services to the economically weaker sections:** Access to banking services is a constraint either due to difficult geography or unavailability of banking services altogether. The concept of mobile banking or banks on wheels, essentially provides door-to-door services to those excluded from the financial system. This needs to simultaneously occur, while building the end-users trust in the banking system and create awareness and benefits to the same.

#### Demand-side

- **Advice and counselling:** The government along with ULBs have to drive a mass advice and counselling programme to educate the home buyers in the affordable housing strata about the need of financial inclusion. Unless the people in this segment are aware of the benefits that they will reap, they will not be keen to open bank accounts, seek valid documentary evidence of earnings, etc.
- **Offering financial inclusion services:** Developers of affordable housing projects, public or private, must offer financial inclusion services along with other services pertaining to housing development. These services must include but not be limited to efforts for building documents to depict

prospective home buyers' financial capability, offering access to banking services, access to affordable credit, tie-ups with financial institutions offering easy loans to this segment of population, etc.

- **Deploying trained staff:** In addition to ensuring that the developers offer financial inclusion services, they must also ascertain that the staff/employees assisting the home buyers are well trained and capable of handling and assisting various situations for improving financial inclusion. The government should also take necessary actions to develop programs and workshops to train individuals that are deployed to assist home buyers of affordable houses.

#### COMMUNITY PARTICIPATION

Housing requires all players to be actively engaged, while there is ample debate on encouraging PPP, there is little discussion on incorporating the end-users as active participants of the process. This would mean that the end-users not only participate in the conversation to bring about a change in their living conditions, but they can be actively engaged in building the projects. The community needs to be a part of the conception, creation, functioning, and maintenance of sustainable units (cities/ towns) rather than just being the end beneficiaries.

*Strategy:*

- **Integrating a PPCP Model (Public Private Community Partnership):** This concept essentially includes the community as a key participant in the project/ program, in order to achieve inclusive growth and sustainable development, with the simultaneous involvement of both the government and the private sector. Each stakeholder identifies specific role at different stages of the program. Typically the public sector takes up the role of a facilitator, sets standards and guidelines, the private sector contributes its technical expertise and builds the capacity of the team. The funding is usually split between the public and private sector, while the community takes the lead in the project for operation & maintenance (O&M) and sustained operation of the program. This model can be adopted for all schemes/ policies or strategies that are employed for creating a housing stock. For example, seasonal laborers can be encouraged to actually build their own homes while contributing to the design and conceptualization of the affordable housing project. While, this is one methodology, several innovative strategies can be employed to give a sense of ownership to the end-user instead of involving them as a passive participant in the process. The design and the actual implementation of such initiative will vary based on the capacity of each stakeholder involved.

<sup>13</sup> RBI. (2013). Committee on Comprehensive Financial Services for Small Businesses and Low Income Households

Through the analysis of the regulatory frameworks, it is established that several incentives and subsidies are in place, to bring in the private sector participation. However, these strategies need to move from an isolated approach.

Although India is not devoid of the right policies, it does fall short in implementing them. Monitoring and evaluation of every initiative need to be instilled stringently. This would help address current problems and obstacles, which can be used to scale successful projects across the country. The subsidies and

incentives have to be aligned with larger plans such as creation of new cities through smart cities, or industrial corridors instead of independent strategies to address housing shortage.

The local and global instances of creation of housing stock present ample examples and strategies for the way forward. The key is to generate multiple customized solutions as per the needs of a particular location under consideration, instead of identifying one generic solution for all issues.



## About Cushman & Wakefield

Cushman & Wakefield is the world's largest privately-held commercial real estate services firm. The company advises and represents clients on all aspects of property occupancy and investment, and has established a preeminent position in the world's major markets, as evidenced by its frequent involvement in many of the most significant property leases, sales and management assignments. Founded in 1917, it has approximately 250 offices in 60 countries, employing more than 16,000 professionals. It offers a complete range of services for all property types, including leasing, sales and acquisitions, equity, debt and structured finance, corporate finance and investment banking, corporate services, property management, facilities management, project management, consulting and appraisal. The firm has nearly \$4 billion in assets under management globally.

Cushman & Wakefield established operations in India in 1997 and was the first international real estate service provider to be granted permission by the Government of India to operate as a wholly owned subsidiary. We are a strong team of over 2,000 employees, operating across New Delhi, Gurgaon, Mumbai, Pune, Bengaluru, Chennai, Hyderabad, Kolkata and Ahmedabad. In addition, we service over 90 other cities such as Ahmedabad, Nagpur, Cochin, Mysore, Mohali, Chandigarh, Goa, Ludhiana, Jaipur and Coimbatore amongst others.

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## About PHD Chamber of Commerce & Industry

PHD Chamber of Commerce and Industry, established in 1905, is serving the Industry for last 110 years. It's a proactive and dynamic apex organization working at the grass-root level with strong National and International linkages. It has direct and indirect membership of about 48,000 companies. PHD Chamber acts as a catalyst in the promotion of industry, trade and entrepreneurship and has been actively contributing to the policy making exercise of Government of India as well as organizing seminars and interactive meets to facilitate in-depth solution oriented discussion on topical issues. We are also in regular touch with over 75 counterpart Chambers abroad.

In its endeavour towards capacity building in the country, PHD Chamber organises focussed entrepreneurial development training programmes in cooperation with the Konrad Adenauer Foundation of Germany. Through the support of its members, the Chamber has been regularly contributing in cash and kind towards relief and rehabilitation of the victims of natural calamities and disasters. In keeping with the motto adopted 'Ethics is Good Business', PHD Chamber confers Awards for Excellence annually.

At last but not the least PHD Chamber's offices at New Delhi, Chandigarh and Lucknow provide modern conferencing and catering facilities for corporate events, board meetings, training programmes, etc. With a modern auditorium, several conference and meeting rooms to suit different requirements and also a business centre, while the ambience is international, the cost is economical.

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