

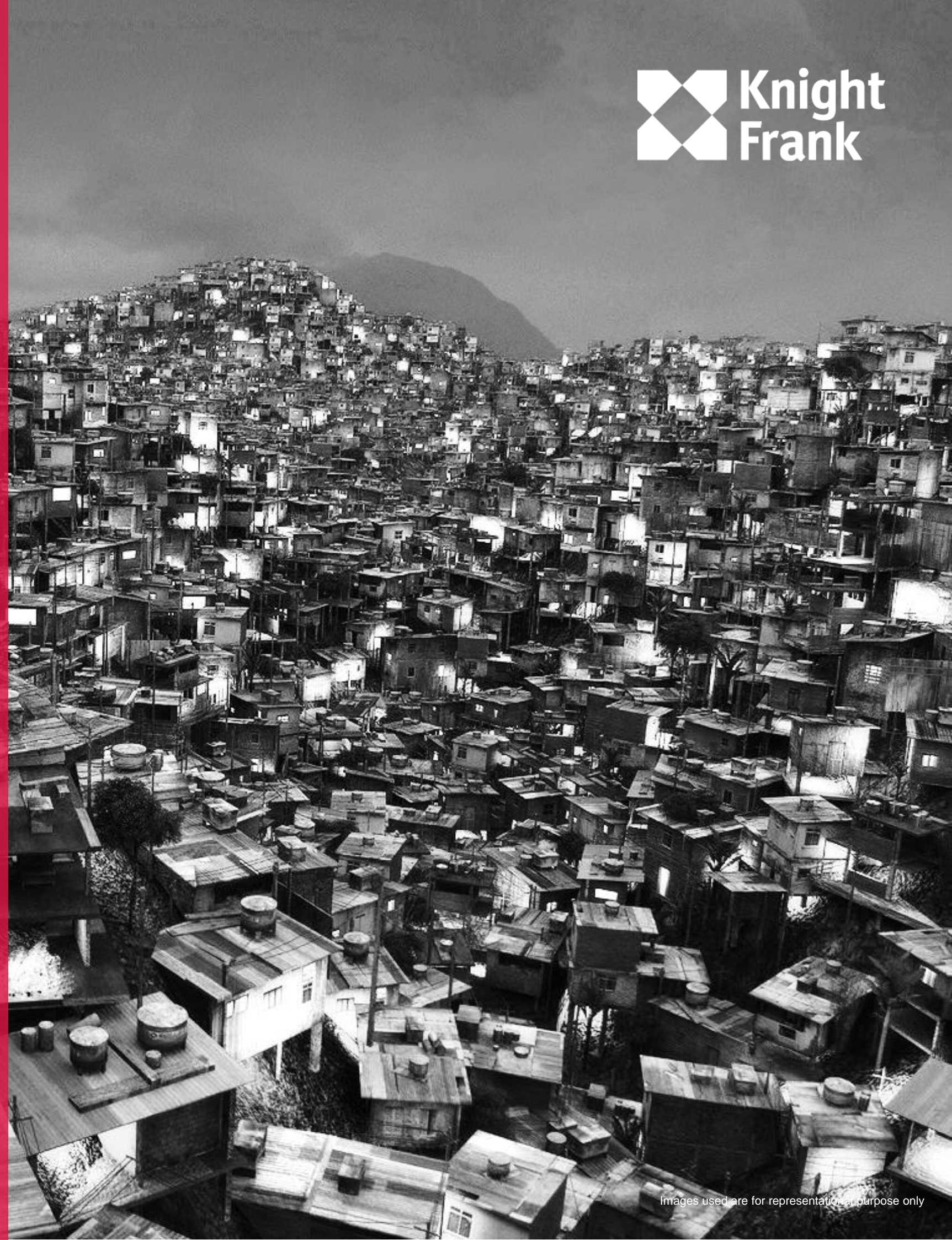
AFFORDABLE HOUSING

A Missed Opportunity

SAURABH MEHROTRA, NATIONAL DIRECTOR – ADVISORY, KNIGHT FRANK INDIA

THE BIG PICTURE

- Cumulative **housing shortfall** pan India ~ 18.78 million units ~ 12 million units as per latest estimates
- Of this 80% households with **annual income < ₹ 3 lakhs**
- Overall Households created every year across India ~ **4 million**
- Housing affordability of over 80% of these **< ₹ 10 lakhs**



GETTING EVEN BIGGER

- Urban population across 50 cities **growing at 2.5%** (annually)

- Increasing number of **new jobs** created in urban areas ~ 79% of new jobs in the last decade

- Projected **decrease in share of primary sector in employment** from ~ 57% (2001) to 37% (2030)

- Additional Urban demand over the next decade ~ **10.94 million over and above** existing housing shortfall



Over a decade since these numbers were published, shortage of **Affordable housing** persists.

A missed opportunity.



A MISSED OPPORTUNITY.

POLICY LEVEL

Government
Academia
Consultants

EXECUTION

Developers
Housing Boards

FINANCE

Banks
Housing Finance companies
NBFCs

POLICY LEVEL

**Are we confusing Housing
need with demand?**

**Where is the willingness
to buy?**

POLICY LEVEL

Are we addressing
the symptoms and
not the root
cause?

Root cause of
shortage of
**supply at price
demanded**



POLICY LEVEL

**We continue to subsidise life-long
housing demand**

**A far greater coverage can be achieved
by subsidising
occupancy viz ownership**

POLICY LEVEL

**Lack of focus on making
developable land available**

**We continue to have vast inefficiently
allocated urban land**

**salt pans, buffer zones, defence lands, port
trusts, railway lands, government colonies**

EXECUTION LEVEL

**We have not looked beyond
the top 30 cities**

**These cities are only about 13% of the
country's population**

**With only 20% of this population
with annual income > ₹ 5 lakhs**

EXECUTION LEVEL

Affordable housing has remained a **fall back option during recession**

We have **failed to evolve** a mass housing model optimising design, development, marketing and servicing costs



HOUSING FINANCE

- Indian Mortgage to GDP ratio at **9%**
- China ~ **20%**, Malaysia ~ **29%**, UK ~ **88%**
- Annual disbursement. Share of Metropolitan area ~ **51%** followed by urban areas ~ **27%**
- Share of rural and semi urban area only about **22%** of the total



FINANCE

**Mortgages have
remained urban focus**

87% of rural and semi
urban population of India
gets only about 20% of
the total mortgage
disbursements



FINANCE

Insufficient coverage
of very large urban
segments

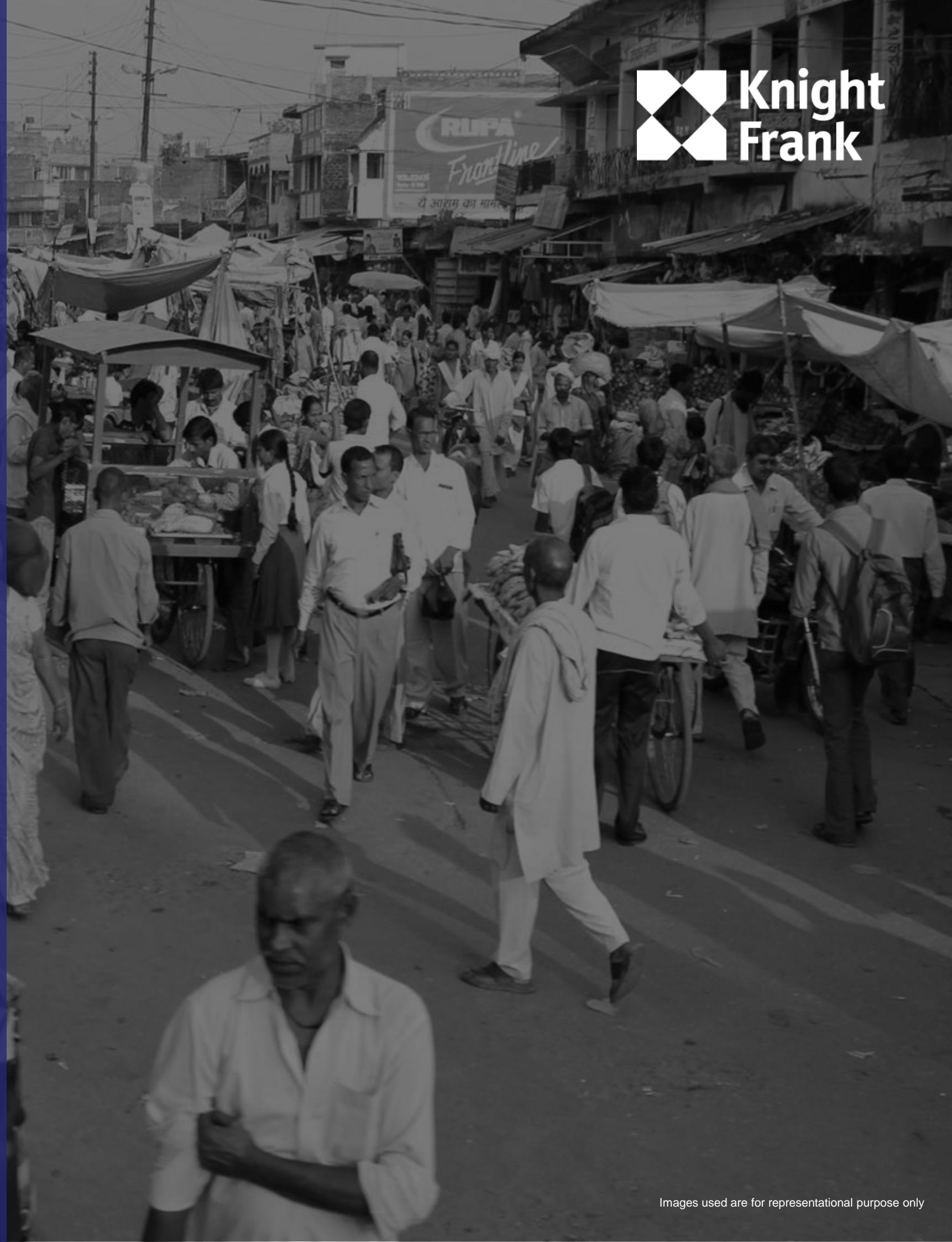
Low income households

Informal sector

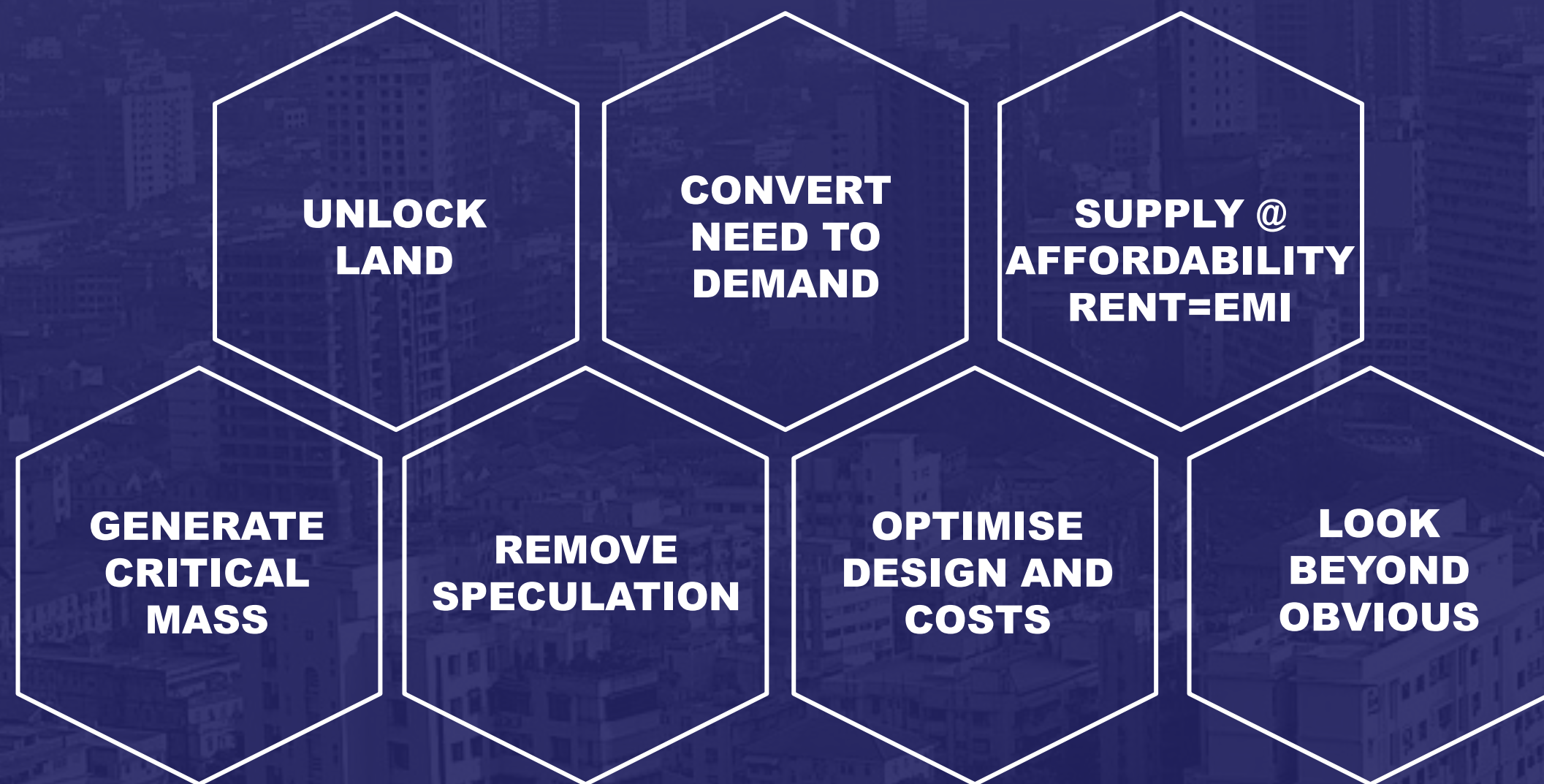
Self employed

Senior citizens – reverse
mortgage?

Sharia compliant loans?



KEY TO SUCCESS



**A young entrepreneur at
Solapur is **rewriting the
rules of the game****

**Units at price points below
₹ 5 lakhs**

**60,000 units –
demand generated**

**13,000 units –
developed & handed over**

**30,000 units –
under development**

CRITICAL MASS

30,000 units
economies of scale

PRE-APPROVED

Strong government
support
All approvals in place

PRE-SOLD

Zero marketing cost
Built to order
No speculation
Balanced cash flows

VALUE ENGINEERING

Value engineering
Material
Design
Constructability
Business process

OPERATING MODEL

Assembly line
construction delivery
Zero wastage
40% lower labour cost

FINANCE

Pooled ₹ 2.5 lakhs
subsidy Directly to
society.
Average loan ticket
size of ₹ 1.5 lakhs
Rent = EMI

KEY LEARNINGS

The model has high degree of replicability across geographies & income groups

POLICY LEVEL

- Affordable housing demand is a reality
- Right support can trigger large scale private participation
- Unlocking pseudo barriers to land use are key

EXECUTION LEVEL

- Look beyond the obvious
- Significant business potential at bottom of the pyramid
- Operating model – efficiency improvement are the key



**SUPPLY
AUGMENTATION
IS THE KEY**

**MASS
AFFORDABLE
HOUSING IS STILL**

**A MISSED
OPPORTUNITY**

**WAITING TO BE
TAPPED**



“ The aspiring poor present a phenomenal opportunity for the world’s wealthiest companies. But it requires a radical new approach to business strategy.”

*C K Prahlad and Stuart Hart,
The Fortune at the Bottom of the Pyramid*

THANK YOU

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