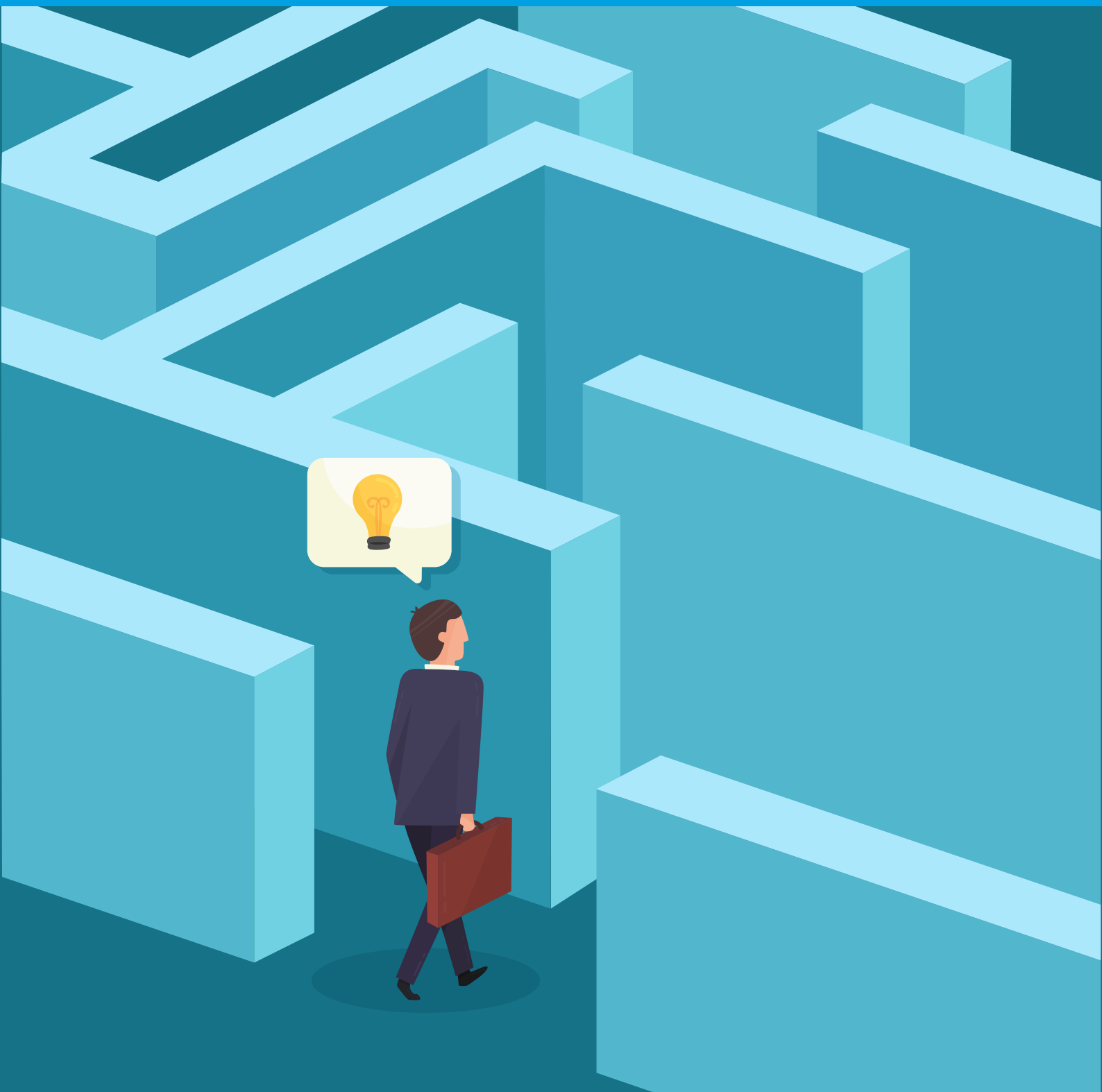


# CHALLENGES & THREATS TO AFFORDABLE HOUSING BY PRIVATE SECTOR



## LACK OF INFRASTRUCTURE



Lack of infrastructure in fringe areas where land cost is low and AHP (Affordable Housing Projects) can come up on affordable lands, which are available only in the fringe areas of an Urban Center. Transportation, health care, social infrastructure, last mile connectivity are almost not available in most of the cities. Water supply, drainage facilities and basic amenities like schools, shopping and entertainment are a challenge too. AHP's first threat is thus **Infrastructure**

## LACK OF ROBUST PUBLIC TRANSPORTATION

India is a country of two wheelers. Except metros like New Delhi and Mumbai, in all other tier 1,2,&3 cities public transport contributes only to 12-15% of transportation. For buyers of AHP's, Reaching far flung locations adds a huge cost to their monthly budgets.



## NON-AVAILABILITY OF RESIDENTIAL LANDS NEAR OR WITHIN INDUSTRIAL DEVELOPMENT



Industrial cities like Pune, Chennai, Bangalore etc have robust industrial areas demarcated through the State Industrial Boards. Even cities like Nasik, Aurangabad have dedicated industrial hubs. The lack of dedicated residential zones within these industrial areas have led to massive illegal housing activity

## SETTLEMENT OF SLUMS WITHIN CITY LIMITS

Slums are votes. We have been witness to slums coming up overnight within Municipal limits of every town n city of the country without any hinderances. There are vested interests involved in creating and maintaining the slums, which provides cheap, un-organised, housing within city limits.



## THRIVING FINANCIAL ECO SYSTEM WITHIN URBAN AREAS, SUPPORTING SLUM DWELLERS



The rising of Slums has been justified by a lot of elements of the society, since these dwellers provide the support system to a city by taking up the employment in the support system. Our maids, drivers, and other staff wouldn't travel 25 km to reach work place even if the incentive of living in a well planned organised housing format.

## GOVERNMENT SOPS OFFERED TO SLUM DWELLERS

Till date not a single slum in the country has been declared unauthorized or has been removed. In-fact time and again governments have declared slum dwellers official occupants and also offered sops under schemes like SRA etc, further encouraging their growth.



## UNAUTHORISED CONSTRUCTION HAPPENING AROUND THE CITY LIMITS



The biggest threat to those who want to create official authorised AHP's comes from these unscrupulous elements active in unauthorised construction activity around every city limits. Not only smaller HFC's fund their buyers, they are also receiving CLSS benefits. No respect for DC rules, basics like ventilation, sanitation and civil engineering, these are thriving because they offer houses at 60% costs. Lack of action by ULB's in demolishing these structures encourages the land-owners further.

## ANNOUNCEMENT OF PMAY SCHEMES BY ULB'S WITHIN CITY LIMITS

The Central Government is serious about PMAY and so has given targets to all ULB's on announcing PMAY projects. Though very little has been achieved on ground in execution terms, such announcements do discourage the serious buyers from EWS , LIG segment from differing their buying decisions.



## INCREASE IN FSI IN CITY PERIPHERY LEADING TO ADDITIONAL SUPPLY



Almost every urban center is being increased in terms of their existing periphery. There is a strong belief that additional FAR / FSI yields revenues for the government and this we have seen FAR being generously increased thus creating pressure on the supply side.

## LACK OF MOTIVATION TO EWS CLASS TO BUY OWN HOUSING

Since there is uncertainty in employment, incomes and new opportunities, there is little or no motivation for the EWS / LIG to make a home buying decision. It is proved that a 2.67 L subsidy isn't enough motivation to invest 12-15 Lakh in a house.



## PENETRATION OF HFC'S IN THE SEGMENT



There are 72 HFC's trying to fund the EWS n LIG segments working in the un organised sector. This is more in tier 1 & 2 cities. Their penetration further down to 3 & 4 cities deprives the consumer of low cost access to finance.

## FAILURE OF CLSS ABSORPTION

Despite the strong propaganda, CLSS has been a non-starter. 2.67 L subsidy isn't motivation enough for making a home buying decision in the background of larger Macro Economic stage.

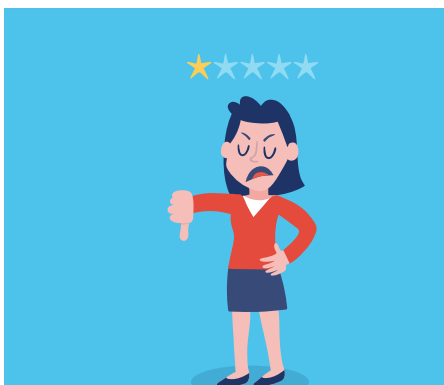


## DILUTED DEFINITIONS OF AFFORDABLE HOUSING



The definition of Affordable housing units were diluted to 60 sq.mtr carpet areas. Fundamentally this is NOT risk per se, but the entire focus of the Private sector moved from EWS to LIG & MIG segments. It has been a finding of multiple surveys, research reports that the real demand, almost 86 % of the 28 Million housing shortage that the Government has projected is from the sub 10 Lakh, EWS – 30 sq.mtr housing.

## SOME FAILED CASE STUDIES WHERE DELIVERY DIDN'T HAPPEN



A lot of Industry leaders do not believe in the segment all together. Though the model of AHP's by private sector is profitable, it definitely doesn't match the kind of ROI & profits we are used to make in premium projects. It was a learning curve for the industry in the primitive years when we woke up to this segment, there were quite a few failed case studies where deliveries were not made, & buyers were left in the lurch. This dented the confidence of the buyers, particularly the end users.

## GST

8 % or 12 %, with or without input credit & passing on off the same to the end user, GST, like for every segment has been a known and acknowledged spoil sport.



## LACK OF NEW JOB CREATION AT MACRO ECONOMIC LEVEL



Lack of new Job creation at the Macro economic levels, revival of the small businesses, right to the levels of street vendors, cab drivers, blue collared workers have seen negative demand in the segment.

## CONTRACTUAL JOB CREATION

Industries now prefer contract labour rather than permanent work force for reasons we all know. Industrial disturbances in Noida, Gurgaon, & other large industrial employers have prompted them to go the Contractual way of employment, which is cheaper, without any permanent liabilities & compliances. This employment average income is restricted to 1.2L to 2 L Per Annum. Since the employment commitment is temporary, these blue-collared workforce does not engage in house buying, & prefer rental housing instead.



## INTER STATE, INTER CITY MIGRATION



The average span of stay in one work place in a contractual arrangement is 2 years 4 months. This leads to migration of this population from one city to the other industrial center. These are also workers who travel alone & keep their families in their native states or cities. This is also one important reason for the better off take of PMAY – Rural.

## END OF SPECULATIVE BUYING ERA

The Middle & upper middle class investors, speculators have not returned to house buying post demonetization. This was a class who created demand as well as Rental Housing. If we observe, rentals for smaller houses have seen an upside over the last 12 months.



**These are the challenges Credai members should consider when they are planning an Affordable Housing Project, particularly in the sub 20 Lakh housing segment for tier 1 & 2 cities and sub 12 Lakh segments in tier 3 & 4 cities**

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