

# AFFORDABLE HOUSING

The Blue-Eyed Boy of Indian Real Estate

# 2019





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## FOREWORD

Emerging economies today are indeed attractive housing markets considering that the rate of urbanization exceeds the economic growth. This rapid transformation and incessant rise in population of urban centers can be attributed to various factors such as rising employment opportunities, access to good education and superior healthcare facilities. Thus, Indian cities are today facing high pressure on the resources, civic amenities and most importantly there is a major imbalance between the demand and supply of housing options. While the real estate data suggests that there are 6.73 lakh unsold units across the top 7 cities of India, the affordable segment (housing units priced below INR 40 lakhs, as scoped in this report) holds one-third of it.

Affordable housing today is an integral part of the national agenda with maximum significance in the urban areas. There has been a surge of policies and measures at the national and state level, oriented to regularize development in this sector. Attracting private players for an enhanced pace of construction and delivering good-quality houses, producing budget housing units that provide basic amenities and access to affordable transportation, education, and quality healthcare is the need of the hour. The government has laid down policies to encourage private participation through several incentives and benefits, while they are also keen on developing the same across the country mainly for the economically weaker sections.

The total supply of affordable housing across the top 7 cities in India during the last six years is estimated to be 7.65 lakh units which account for nearly 38% of the total supply of residential units. The total absorption of affordable housing across these cities has been around 5.95 lakh units with NCR, MMR and Pune witnessing the highest volumes of absorption.

Affordable Housing – The Blue-Eyed Boy of Real Estate, a report from ANAROCK & CII, delves into various government initiatives that have been implemented over the last few years. While Maharashtra has been the highest contributor among all states to the country's GDP, a detailed discussion of the affordable housing situation in Maharashtra is included. The report also highlights top affordable housing locations in MMR and Pune, the cities which are epicenters of growth in Maharashtra.

**I hope you find it an insightful read.**



A handwritten signature in black ink, appearing to be 'Anuj Puri'.

**Anuj Puri**

Chairman

CII Real Estate Confluence 2019  
ANAROCK Group

“  
**Affordable housing**

**The blue-eyed boy of real estate, a report from ANAROCK AND CII, delves into various government initiatives that have been implemented over the last few years.**

”

# 1. INTRODUCTION

Rapid urbanization across cities due to better job prospects and livelihood has led to the emergence of several challenges in most of these urban centres. Traffic congestion, pressure on basic amenities such as water and sanitation and most importantly, severe housing shortages in cities, especially in the low-cost segment, has plagued the urban areas. The low-cost segment particularly caters to the Economically Weaker Section (EWS) and Low Income Group (LIG) who find it difficult to build a house in cities where they reside to earn a living.

According to government estimates, there was a shortage of more than 18.78 million homes in the urban areas at the beginning of 2012, of which 96% was in the EWS and LIG segment. According to Urban affairs ministry, the housing shortage in 2018 was estimated to be 11 million in urban areas, expected to again reach 19 million by 2022. Amidst the rising population and increasing urbanization, the country's total urban housing shortage is projected to be about 38 million by 2030. This ever-increasing shortage of relevant supply in the affordable housing segment is forcing people to live in slums and informal settlements.

While the government tried to incentivize private players by offering tax incentives and access to low-cost capital, initially they depicted limited interest in the affordable segment due to thin margins, high land cost and delay in project approvals. However, amidst the subdued demand grappling the Indian residential real estate sector and the government's rising focus on housing for all by 2022, private players were necessitated to go back to their drawing boards and increase participation in the affordable housing segment. As infrastructure status was accorded to the affordable housing sector and additional benefits in the form of interest subsidies and lower GST rates were granted, the situation seems to have changed in recent years.




The term "affordable housing" is ambiguous as it lacks a universal definition. Numerous agencies and industry bodies have endeavoured to classify it based on various socio-economic factors such as household income, location, price, size of dwelling units, employment opportunities, government incentives among others. However, it still remains a concept which varies as per an individual's financial capability and the city under consideration.

Generally, affordable housing is targeted towards a section of society which has an income equivalent or lower than the median income. Ideally, for any individual, the monthly instalment should not exceed more than 30%-40% of gross monthly income and ratio of house price to annual income should be between 2 to 4.




## 2. AFFORDABLE HOUSING DEFINED

### AS PER MHUPA

Segment	Size of Dwelling Unit (Sq.ft.)	Price of property(in INR lakh)
 EWS	300 - 500	<5
 LIG	500 - 600	7 - 12
 MIG	600 - 1,200	12 - 50

### AS PER RESERVE BANK OF INDIA (RBI)

Location	Loan Limit (INR Lakh)	Cost of Property (INR Lakh)
 Metro	28 - 35	Below 45
 Non-Metro	20 - 25	Below 30



Affordable housing has emerged as one of the fastest growing segments in Indian realty during the past few years and has witnessed the maximum new launches. The incentives given to both the developers and home buyers stand testimony to the government's commitment towards the sector and achieving the vision of Housing for All by 2022.

For this report, we have considered affordable housing as units priced less than INR 40 lakh across 7 major cities namely Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai Metropolitan Region (MMR), National Capital Region (NCR) and Pune.

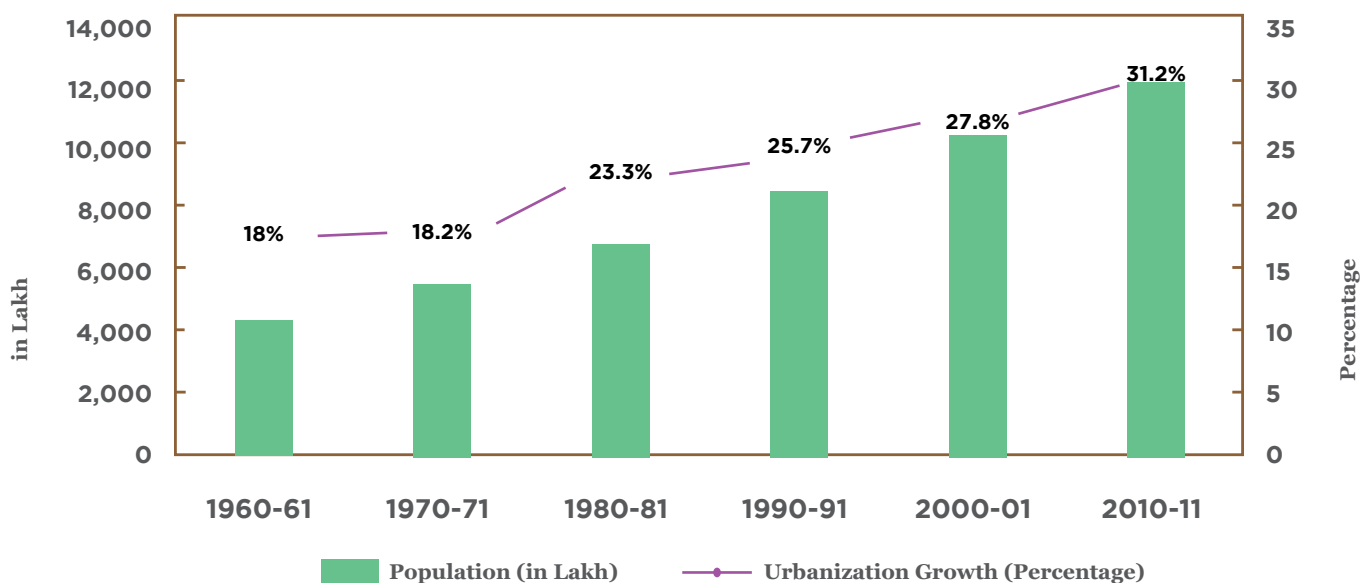
### 3. URBANIZATION IN INDIA

India's population grew at a rate of 17.6% from 2001 to 2011. Concurrently, the urban population's share to total population grew from 28% to 31% during the same time period.

According to Census 2011, India still possesses a dominant rural population as approx. 68.8% of the people still reside there. As the economy transitioned from an agrarian to industrial and services driven one, urbanization increased and as of 2011, 31.2% of the total population resided in the urban areas.

The improvements in secondary and tertiary sectors due to the economic liberalization post-1991 led to the creation of huge employment opportunities in urban areas. In addition, pro-business policies of the central and state governments triggered the growth prospects of urban areas. Businesses such as automobiles, engineering and manufacturing, IT-ITeS and construction started to grow by leaps and bounds and India grew at a rate of more than 7% year-on-year during the period 2000-2011. This industrial boom has helped India to absorb a large portion of the population in the urban areas.

#### Urbanization Trend



Source: Census of India

#### Housing Scenario in Urban India

The housing shortage in India has been continuously on the rise with the rising population as well as migration of people to urban areas, which resulted in slums and sputtered settlements. According to the technical study on Urban Housing Shortage conducted by MHUPA, there were 18.78 million who were homeless across the country of which 96% pertains to EWS and LIG segments.



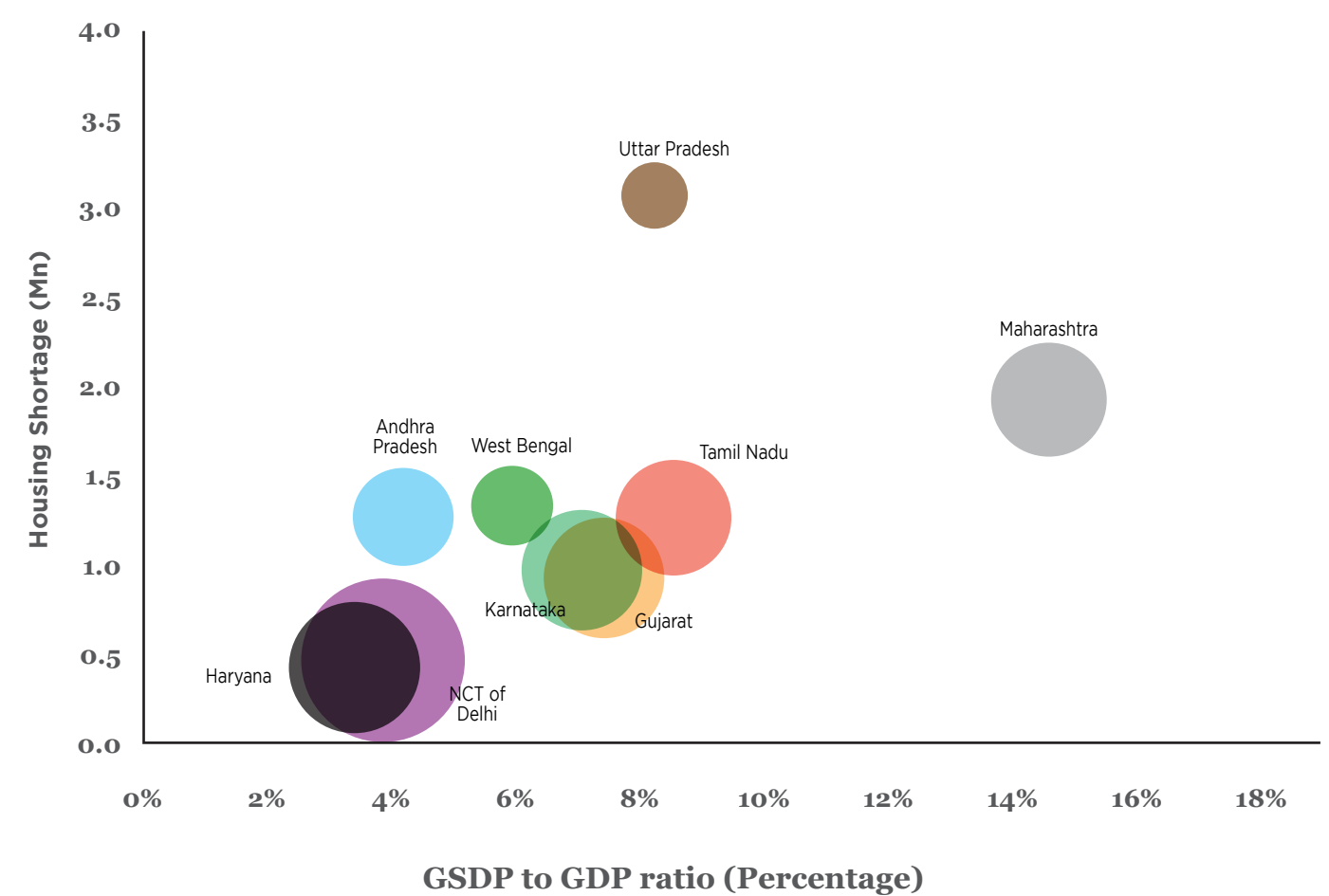


## State-wise Housing Shortage

The analysis below takes into consideration the housing shortage across different states, the respective state's contribution to India's GDP and per capita income. As per 2012 statistics, Uttar Pradesh tops the list of states having a housing shortage with over 3 million homes and Maharashtra is the second with a shortage of fewer than 2 million units, followed by West Bengal, Andhra Pradesh, and Tamil Nadu.

These top 5 states contribute 47% of the housing shortage in India. However, the state of Maharashtra is significantly important amongst the others owing to its high contribution to the country's economic growth. Maharashtra's GSDP to GDP ratio is 15% which is the highest among all. Its per capita income is INR 1,11,980 as of 2012-13. Considering these factors, the state requires urgent attention to resolve housing issues. Thus, it can be well assumed that the status of housing and its shortage needs more attention. Our report delves deep into the affordable housing situation and real estate dynamics in Maharashtra.

### Housing Shortage vs Economic Growth



Source: CSO & Report of Technical Group on Estimation of Urban Housing Shortage 2012.

## Urban Housing Shortage by Socio-Economic Groups

EWS is defined as the group with a household income up to INR 1.50 lakh per year while the consideration for LIG is annual income between INR 1.5 - 3.0 lakh. EWS and LIG together account for nearly 96% of the shortage and is a huge market that needs to be addressed.



## Urban Housing Shortage among Socio-Economic Groups



Source: Estimate of the Technical Group on Urban Housing Shortage (TG-12) (2012-17) constituted by NBO, M/o Housing & Urban Poverty Alleviation



Majority of the supply till 2012 was in middle and higher-income groups as these projects offered higher returns to the private developers, as compared to EWS and LIG segments. On the other hand, supply of EWS and LIG housing was mainly catered by the government.

*India is traditionally an agrarian nation but post liberalization of 1991, the country started to witness traction in manufacturing and services sector, which resulted in rapid urbanization. This led to housing shortage in most of the states, including Maharashtra. The Government's limited focus to cater to the requirements of EWS and LIG segment has worsened the situation. However, with policy tweaks and amendments, the situation seems to be improving now.*

## 4. GOVERNMENT ENERGIZES THE AFFORDABLE HOUSING SECTOR

### Government Initiatives

- i. **Jawaharlal Nehru National Urban Renewal Mission (JNNURM):** Launched in 2005, this was a massive city modernization scheme. Its aim was to construct 1.5 million houses for urban poor in a million-plus population cities. Total 11,05,195 dwelling units are constructed and delivered while around 10% of the units are yet to be occupied. These units are predominantly located in remote areas which still lack physical and social infrastructure.
- ii. **Integrated Housing and Slum Development Programme (IHSDP):** IHSDP was launched by the Government of India by merging the schemes of the National Slum Development Programme (NSDP) and Valmiki Ambedkar Awas Yojana (VAMBAY). The objective of the scheme is to provide adequate shelter and basic infrastructure facilities to the slum dwellers in urban areas. The scheme of IHSDP is funded in the ratio of 80:20 by the Government of India and State Government. As per guidelines of the scheme, the states/UTs may avail the central assistance for improvement/ upgradation/ relocation projects including upgradation/new construction of houses and infrastructural facilities like water supply, sewerage, storm water drains, community bath, paving of lanes, street lights, community toilet, etc.
- iii. **Rajiv Awas Yojana (RAY):** This scheme focusses on integrated development of all the slums by providing water supply, sewerage, drainage, solid waste management, approach and internal roads, street lighting, community facilities such as community toilets and baths, informal sector markets, and livelihoods centers. As per MoHUA, 59,565 dwelling units are constructed while 18,657 units are un-occupied till Jan 2019.



## Pradhan Mantri Awas Yojana (PMAY)

Launched in 2015 to provide central assistance to Urban Local Bodies (ULBs) and other implementing agencies through states/UTs to provide affordable housing through different mechanisms.



### Coverage:

All 4,041 statutory towns as per Census 2011 with focus on 500 Class I cities.



### Construction:

Support the construction of houses upto 30 square meter carpet area with basic civic infrastructure like water, sanitation, sewerage, road, electricity, etc. The minimum size of houses constructed should follow the National Building Code (NBC), and also the provision of a toilet is mandatory.



### Residential Welfare Association

**(RWA):** Residents to create independent associations to handle maintenance of the house built under the mission.



**Registration:** House should be registered in the name of the female head of the family or on the joint name of the male and female head of the family.

The PMAY mission addresses the housing requirement of urban poor including slum dwellers through the following programmes:

### In Situ Slum Redevelopment

This uses land as a resource with private participation for providing houses to eligible slum dwellers. The private players will get additional FAR/FSI/TDR for making slum development projects viable. On an average INR 1 lakh per house would be admissible for all houses built for eligible slum dwellers in all such projects.



## Credit Linked Subsidy Scheme (CLSS)

Under Pradhan Mantri Awas Yojana (Urban), credit supply to the housing needs of urban poor has been implemented with the following terms:



**Obtained for the interest rate of 6.5% for the tenure of 20 year**



**Subsidy for a loan is available for maximum INR 6 lakhs**



**Upfront interest subsidy is deposited in loan account of the beneficiary for a reduced home loan**



**NPV of the interest subsidy will be at a rate of 9%.**

## Interest subsidy eligibility for CLSS

### Home Ownership



**Female Head of the household**



**Joint name of the male head of the household and his wife**



**The house can be in the name of male member of the household only if there is no female member in the family**

## Conditions

1. Family should not own pucca house on the name of any member of the household
2. Household annual income for EWS is up to INR 3,00,000 and LIG between INR 3,00,001 to INR 6,00,000
3. Allotment preference should be given to manual scavengers, women, SC/ST and BC minorities, persons with disabilities and transgender.

## Specifications

1. Carpet area of a house should be up to 30 sqm for EWS and 60 sqm for LIG category.
2. Interest subsidy would be limited to first INR 6 lakhs only

## Affordable Housing Through Partnership

The mission is to partner with States/UTs/Cities and provide financial assistance to EWS at the rate of INR 1.5 lakh per house being built. The central government will assist if the project has more than 250 units and having at least 35% of housing for EWS under the affordable housing project, which can be a mix of EWS, LIG and MIG housing.

Ministry of Housing and Urban Poverty Alleviation has prepared a “Draft Model Public-Private Partnership Policy for Affordable Housing in India” to facilitate the private sector’s participation in affordable housing and help to fulfill the rising demand.

## Subsidy for Beneficiary-led individual house construction

The EWS families, whoever is not eligible in any of the above components of the mission can avail this particular scheme of central assistance of INR 1.5 lakh and should be part of the Housing for All Plan of Action (HFA PoA). The provided assistance can be used for the construction of new houses or to enhance existing houses with a minimum addition of 9 sq. mt. of carpet area to the existing house.



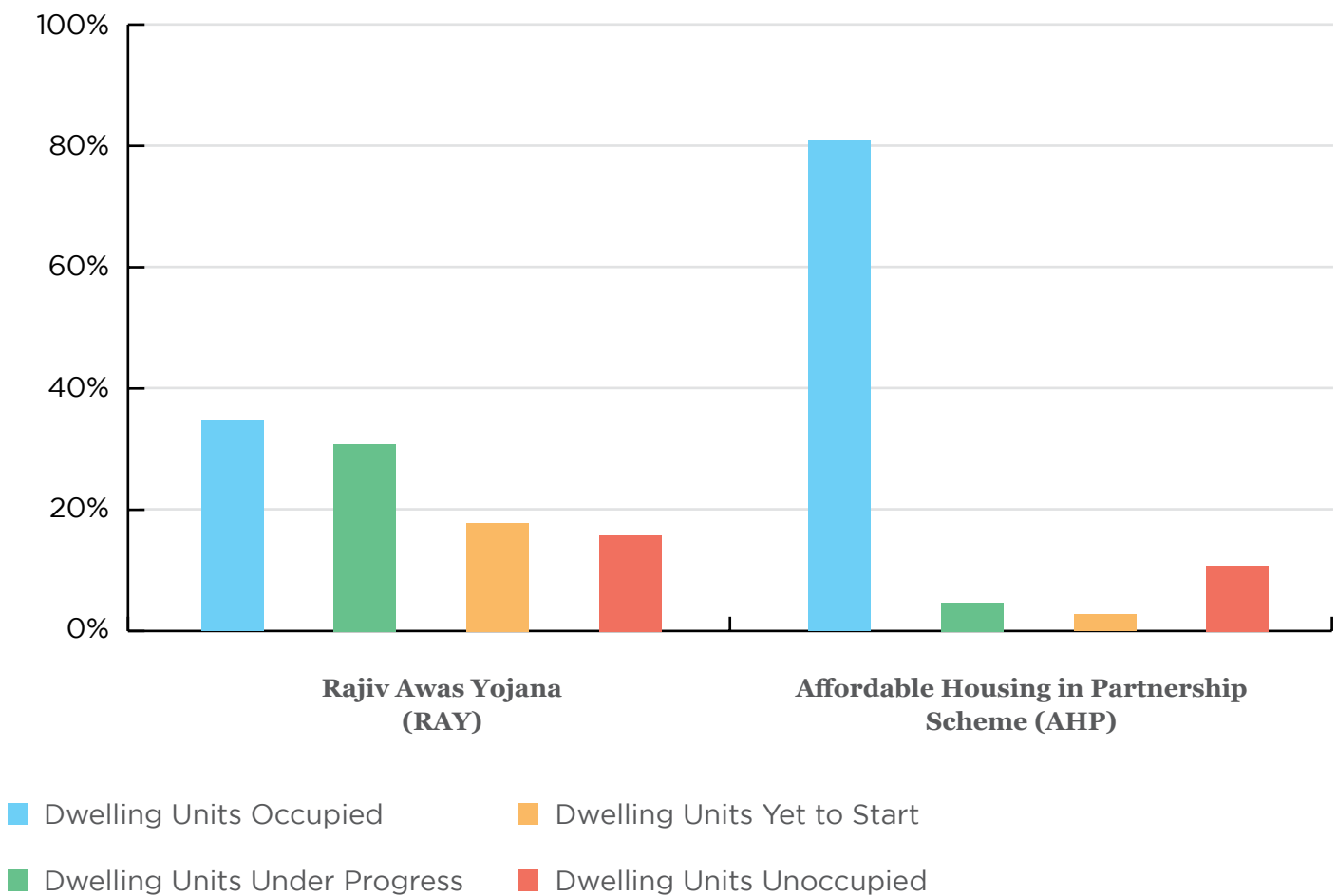
## PMAY Urban Performance

Under PMAY (Urban), total 1,17,707 houses are approved, out of which only 35% are occupied, and 31% are in progress as of 2018.

Affordable Housing in Partnership Scheme (AHP) total of 25,407 units was approved, with the cost of INR 1,398.41 Cr.

Total of 1,41,848 units are approved, in which only 58% are completed, 26% are in progress and 16% yet to start construction.

### Dwelling Unit Construction Status



Source: DRMC - MoHUA

## BUDGET 2018-19

- Budget 2018-19 has further given impetus to affordable housing by creating a dedicated fund under which it will ensure that 37 lakh houses are built in urban areas by end of FY2018-19.



**Table 3: Status of RAY and AHP**

Sr.No.	Particulars	Rajiv Awas Yojana (RAY)	Affordable Housing in Partnership Scheme (AHP)	Total
1	Number of ongoing projects	162	21	183
2	Project Cost Approved (in Cr.)	6,323	1,398	7,721
3	Construction Completed of DUs	59,565	22,103	81,668
4	Dwelling Units Approved	1,17,707	24,141	1,41,848
5	Dwelling Units Occupied	40,908	19,450	60,358
6	Dwelling Units Under Progress	36,232	1,246	37,478
7	Dwelling Units yet to Start	21,910	792	22,702
8	Dwelling Units Unoccupied	18,657	2,653	21,310

Source: DRMC - MoHUA

Note: Information till 1st Jan 2019

AHP programme has shown good results in achieving the target as 92% of the dwelling units are completed, out of which only 12% of the units are not occupied and 3% units are yet to start from the total approved 24,141 units.

RAY is working on moderate speed compared to AHP, as only 51% of units are completed against planned 1,17,707 units, in which only 35% are occupied by dweller.

- **INR 50,000 tax benefits added to first time home buyers on the home loan sectioned during FY2016-17 under section 80EE.**
- **Households earning between INR 6 lakh to INR 12 lakh a year can claim 4% subsidy on the home loan and INR 12 lakh to INR 18 lakh earning households can get 3% subsidy on home loans.**

## 5. CHALLENGES IN BUILDING NEW STOCK IN AFFORDABLE HOUSING

There are many impediments in developing affordable housing in urban areas. The government is well aware of these and has been striving to innovate with solutions and policies to make the process efficient.

### Land scarcity:

Lack of available land in core areas of the cities has affected the development of the affordable housing sector. The available land parcels are also expensive, which is not suitable for affordable housing developments. The government initiative of incentivizing the developers through FSI/FAR/TDS will help create few affordable housing for EWS and LIG possible in core parts of cities.

### Slums/Illegal settlements:

There are many slums located in different parts of the city that cater to affordable housing needs; but they lack in required size of units and essential amenities like water supply, sanitation, and sewerage facilities. They are mainly kutcha houses in a dilapidated condition, which are not safe for living.

### Housing Planning and Location:

Restrictive density norms also act as a major deterrent to the success of the segment. Lack of physical and social infrastructure and insufficient action in providing connectivity to the locations are also impediments for the development of affordable housing. This is one of the reasons why there are more than one hundred thousand units still unoccupied under JNNURM which have been completed.

### Limited Private Participation:

Low-profit margins, time-consuming approval process, rising input costs, and GST rates have kept large organized players away from this segment.





## Recommendations

1.

City master plans should have designated land parcels for affordable housing with specifications detailed out.

2.

Provisions to use government unused land parcels for affordable housing projects such as railway lands.

3.

Affordable housing schemes should identify the right beneficiary through formulating guidelines.

4.

New construction technologies should be introduced with skill development programs to the construction labour.

5.

Construction materials to the builders should be available on incentives.

6.

Single window clearance for affordable projects to fast track the projects and minimise the rising costs.

Enhance the capacities of implementing agencies like urban local bodies for better implementation of the projects.

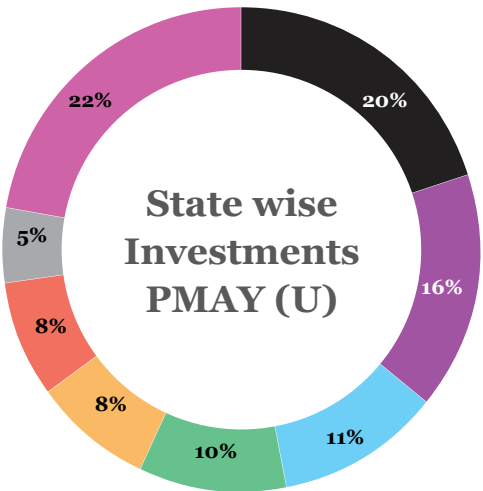




## 6. MAHARASHTRA AFFORDABLE HOUSING SNAPSHOT

**Rural-urban convergence is the catalyst to affordable housing; State to fast track affordable housing by PPP policy**

Maharashtra, home to the country’s largest metropolitan region - MMR - and other major cities such as Pune, Nashik, and Nagpur are witnessing rapid urbanization. Considering the housing shortage as stated by the Ministry of Housing and Urban Poverty Alleviation, the state government of Maharashtra is planning to complete 19.4 lakh sanctioned low-cost affordable houses across the urban centers of the state and MMR. Out of this, MMR is slated to get 50% of the homes sanctioned, which is close to one million.



- |         |           |             |            |
|---------|-----------|-------------|------------|
| AP      | MP        | Maharashtra | Tamil Nadu |
| Gujarat | Karnataka | West Bengal | Others     |

Source: Ministry of Housing & Urban Poverty Alleviation, 2017



## Investments coming into Maharashtra for Affordable Housing

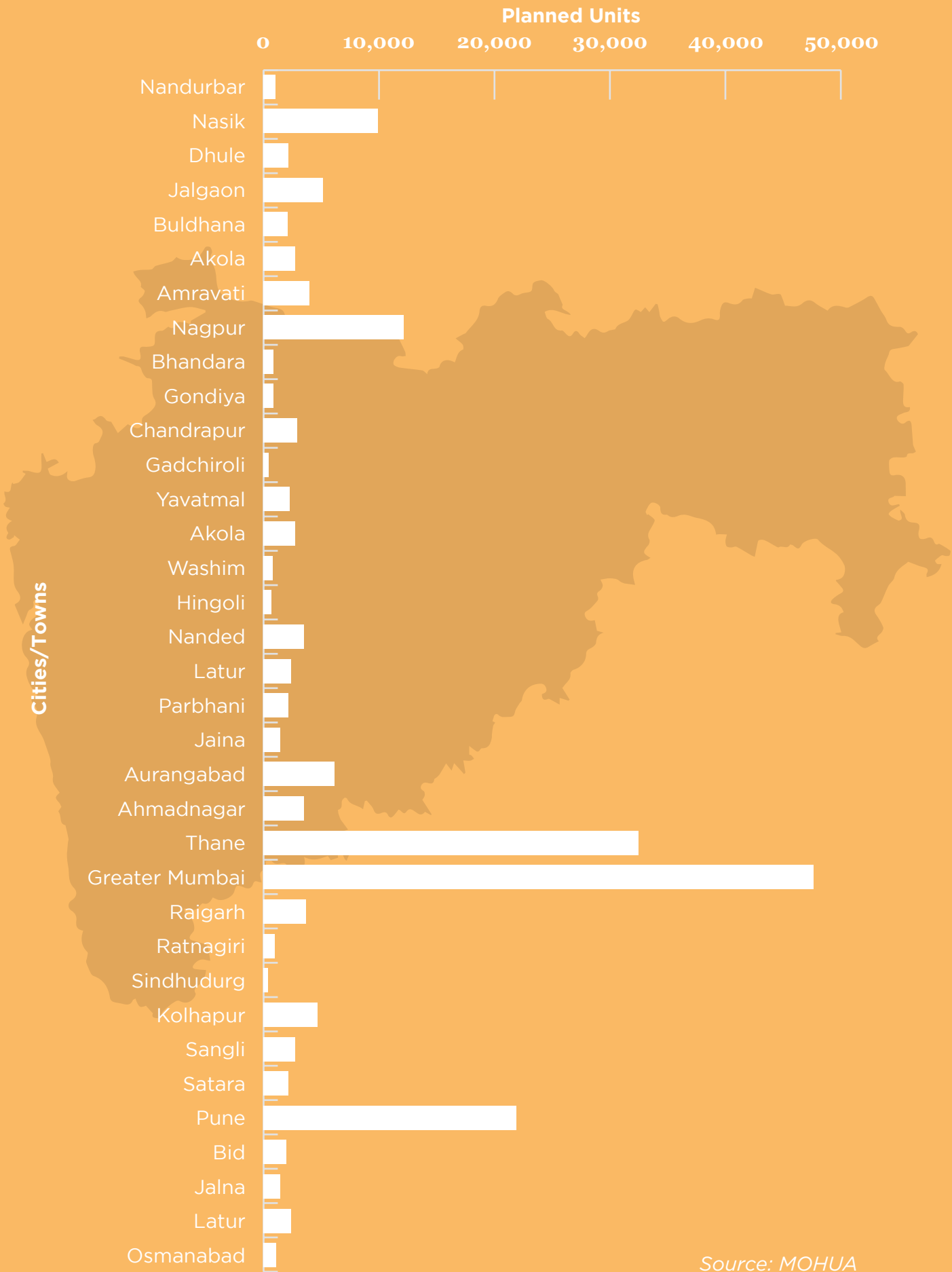
PMAY has been one of the top listed and prioritized initiatives of the Government of India. The objective of the initiative is to ensure that every family has a pucca house with water connection, toilet facilities, 24X7 electricity supply, by the time the nation completes 75 years of independence. The mission has come to effect since mid-2015 and it will be implemented up to early 2022.

Similarly, Maharashtra has also launched multiple PMAY projects in urban and rural parts of the state. The estimated urban housing shortage of India is 18.78 million houses of which Maharashtra targets to develop 1.94 million housing units by 2022.

Maharashtra Housing Development Corporation has taken up the initiative to construct these dwelling units. To ensure timely completion, new policies have been formulated to encourage private participation and joint ventures. Capital support will be extended from MHADA (Maharashtra Housing and Area Development Authority), SRA (Slum Rehabilitation Authority), CIDCO (City and Industrial Development Corporation) and financial grants from State and Centre will also be granted to complete the planned target. MHADA is expected to setup INR 7,000 Cr shelter fund to support affordable housing. With financial and policy support coming from central and local government, affordable housing projects in the state are looking for private participation to reach its target.



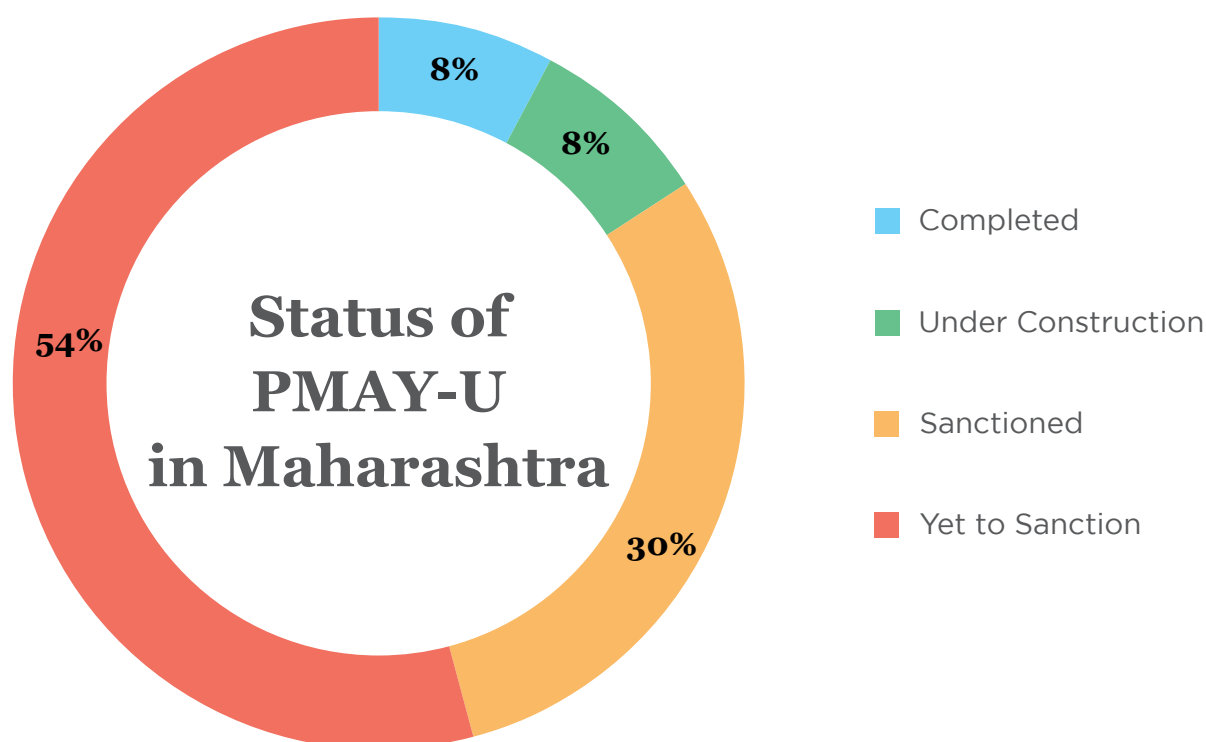
Status of PMAY (U) in Maharashtra



Source: MOHUA



Under PMAY(U), Maharashtra has planned to complete around 6.7 lakh housing units by 2019, while the target for 2022 remains at 19.4 lakh houses for urban Maharashtra, as stated earlier. However, a quick check at the current status suggests that the need of the hour is to pull up the socks. The state has only issued sanctions for 3.08 lakh houses as of May 2018 which accounts for 46% of the planned target. The prime issue in reaching this target is the scarcity of land and the only way to fast track the affordable housing scheme is by unlocking land parcels. The state's new policy on affordable housing makes room for such initiatives.



Source: MOHUA & PMAY (U)

## Maharashtra's new PPP policy to fast track affordable housing

To encourage private participation in affordable housing, the government of Maharashtra has drafted a new PPP (Public Private Participation) policy which plans to acquire land parcels in the state to develop low-cost housing. This policy states the project design, approvals, construction and selling part will be handled by MHADA where landowners do not need to pay anything for the joint venture. This solves the biggest bottleneck for low-cost housing in the state as land acquisition is a challenge. Furthermore, this policy states that 50% of the profit will be shared with the landowners and it will be MHADA's responsibility to develop the required infrastructure at the project and bear the cost towards the same. MHADA is confident this policy will boost the housing industry and help in building more affordable houses in MMR and other metro cities of Maharashtra.

With rising urbanization, the urban dwelling of Maharashtra is experiencing migration and the prime issue arising from this phenomenon is housing shortage. The flagship scheme of central government - PMAY - is expected to address the housing shortage of the state. To provide further impetus to this scheme state government has appointed MHADA as a nodal point to achieve the target of 6.7 lakh homes by 2019. However due to land scarcity and other challenges, the state is way behind its target. However, the newly drafted policy is expected to expedite the progress in the coming years.

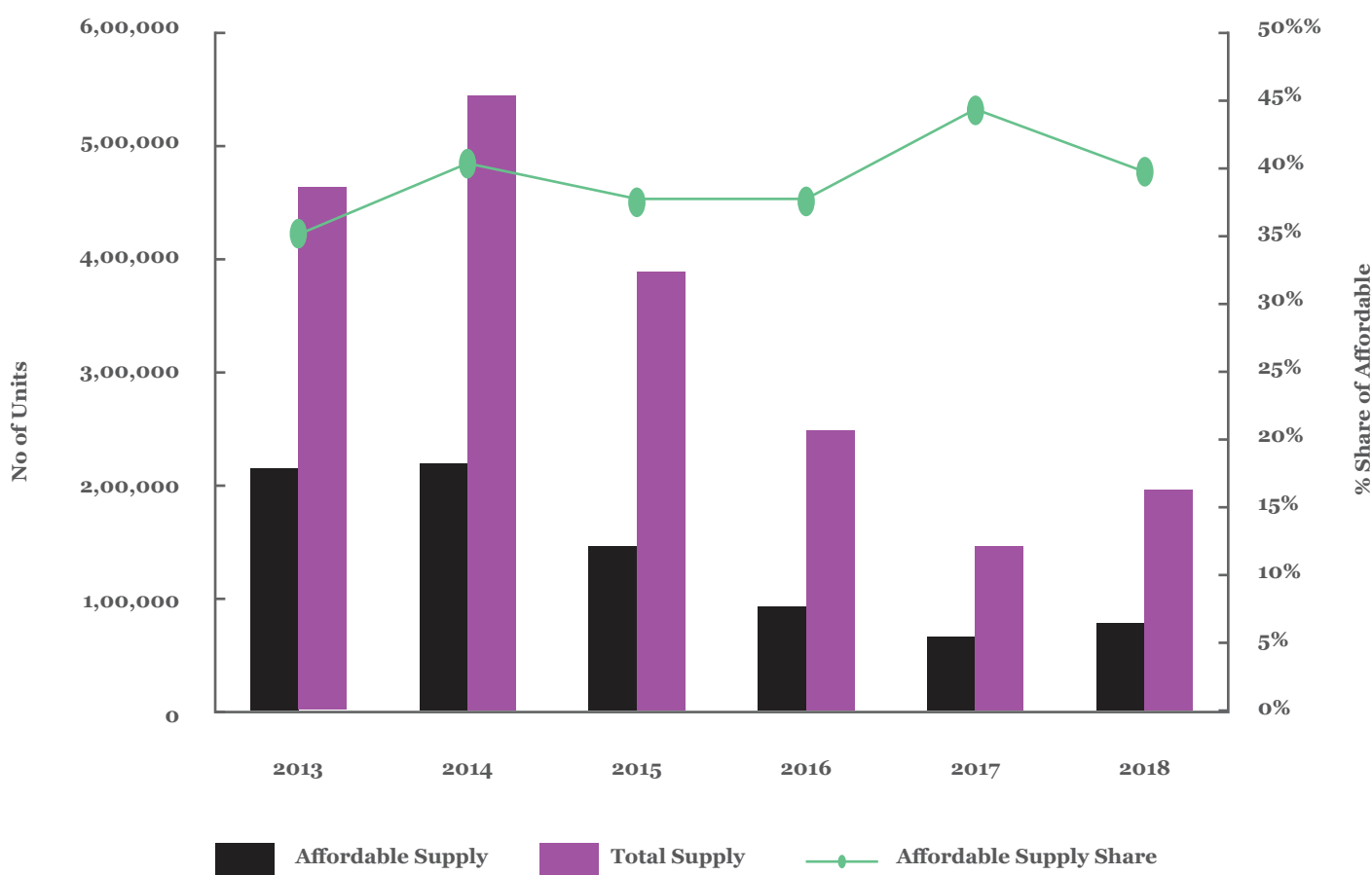
## 7. INDIA AFFORDABLE HOUSING SECTOR: A SNAPSHOT

The term 'affordable' is one of the most used terms in real estate since the time the present government took charge in 2014 because of their election manifesto which aimed to provide 'Housing to All by 2022'. Keeping in sync with the vision, the central government has been consistently introducing various sops for affordable housing over the last few years.

### Pan-India Affordable Housing New Launch Trends

As per ANAROCK research, affordable housing<sup>1</sup> (units priced below INR 40 lakh) activity picked up in 2014 after the announcement of Housing for All by 2022 campaign by the present government. Post-2015, the Indian real estate sector was grappled with subdued demand and as a result, the overall new launches were on a decline. Nonetheless, the average share of affordable housing supply of total new launches, was around 40% between 2013-2018, indicating the incessant activity in this segment.

#### Affordable Housing Launches in India



Source: ANAROCK Research

- In 2017, affordable housing supply had the highest share of 45% to total new launch supply, as developers looked to offer the right priced products so as to gain sales traction.
- Affordable supply increased by 18% in 2018 over 2017; this is the first positive sign of market recovery after the regulatory changes.

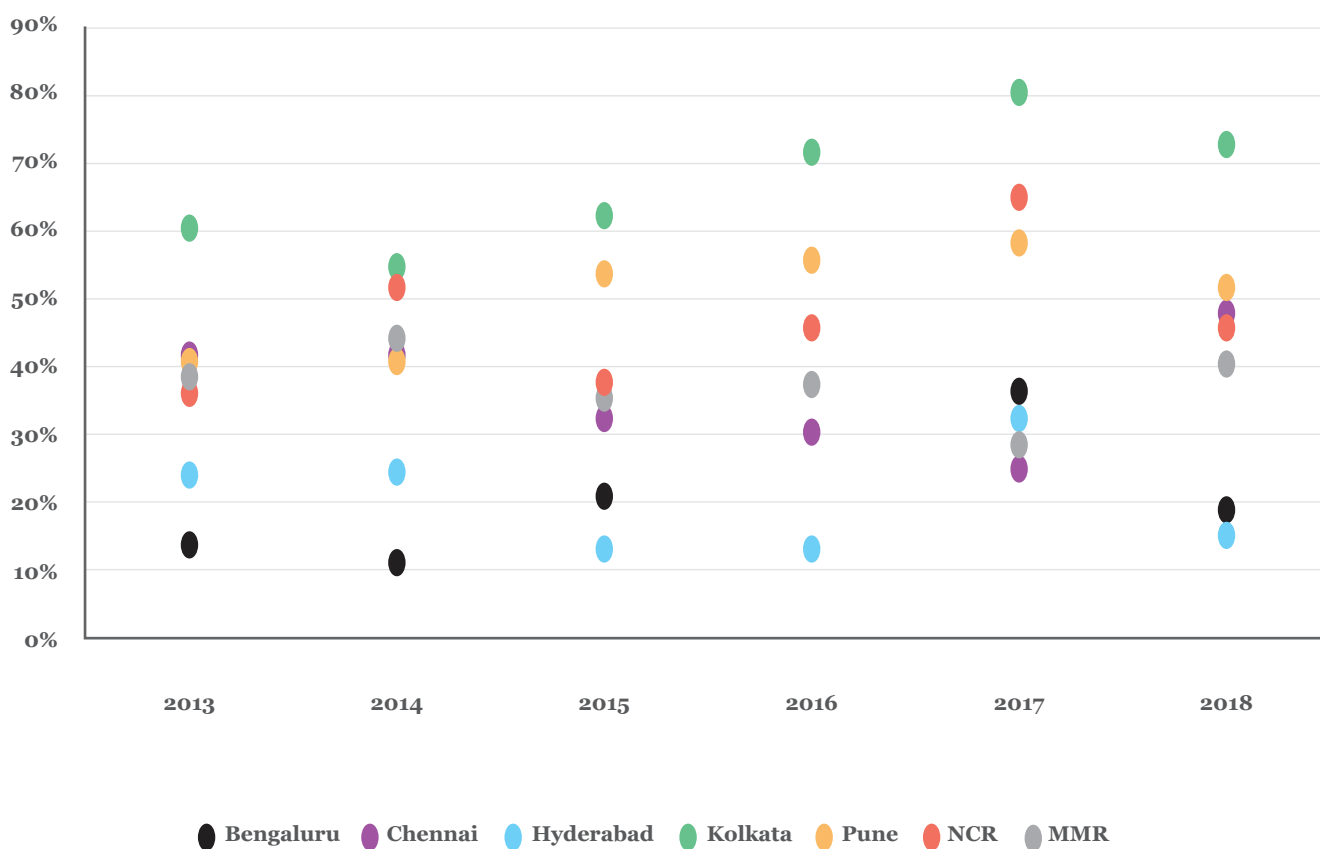
<sup>1</sup>This does not include the cost of amenities and other charges

## City-wise Affordable Housing Trends

Total new supply between 2013 to 2018 (approx. 19.9 lakh units) was added across the top 7 cities, of which more than 38% supply catered to the affordable segment (units prices <INR40 lakh). PAN-India affordable supply share increased from 35% in 2013 to 45% in 2017 and was recorded at 40% in 2018, due to the government initiatives to improve the affordable housing stock.

- Kolkata has the highest share of affordable housing as compared to all other cities. The share of affordable housing in the city reached 81% of the overall supply in 2017, indicating the dominance of this segment in the city.
- In 2018, Kolkata had 73% share of affordable housing followed by 52% in Pune. Affordable housing is gaining momentum in Pune as the city is expanding in all directions and new industrial clusters and IT-ITeS hubs are being developed.
- The share of affordable housing in Hyderabad and Bengaluru in 2018 was the lowest, accounting for 15% and 17%, respectively. These cities are driven by IT-ITeS businesses which employ mostly white collared employees who can afford to purchase mid-range and high-end houses.

### Affordable housing share of total new launches



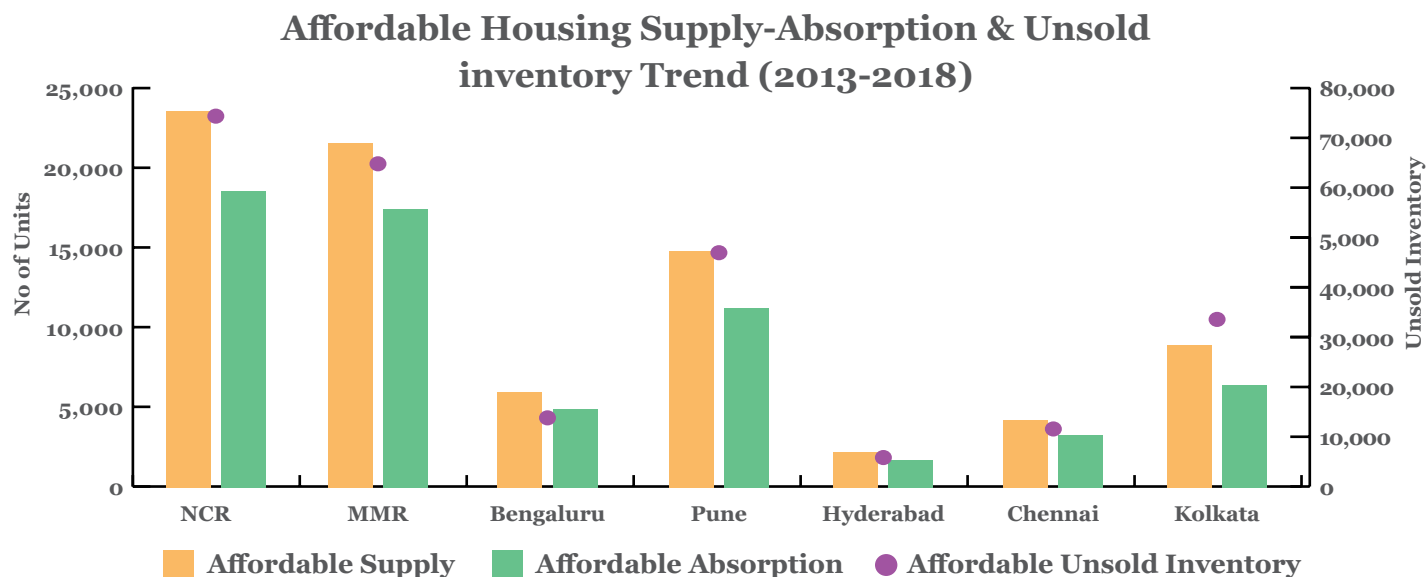
Source: ANAROCK Research



## Affordable Supply, Absorption and Unsold inventory Trends

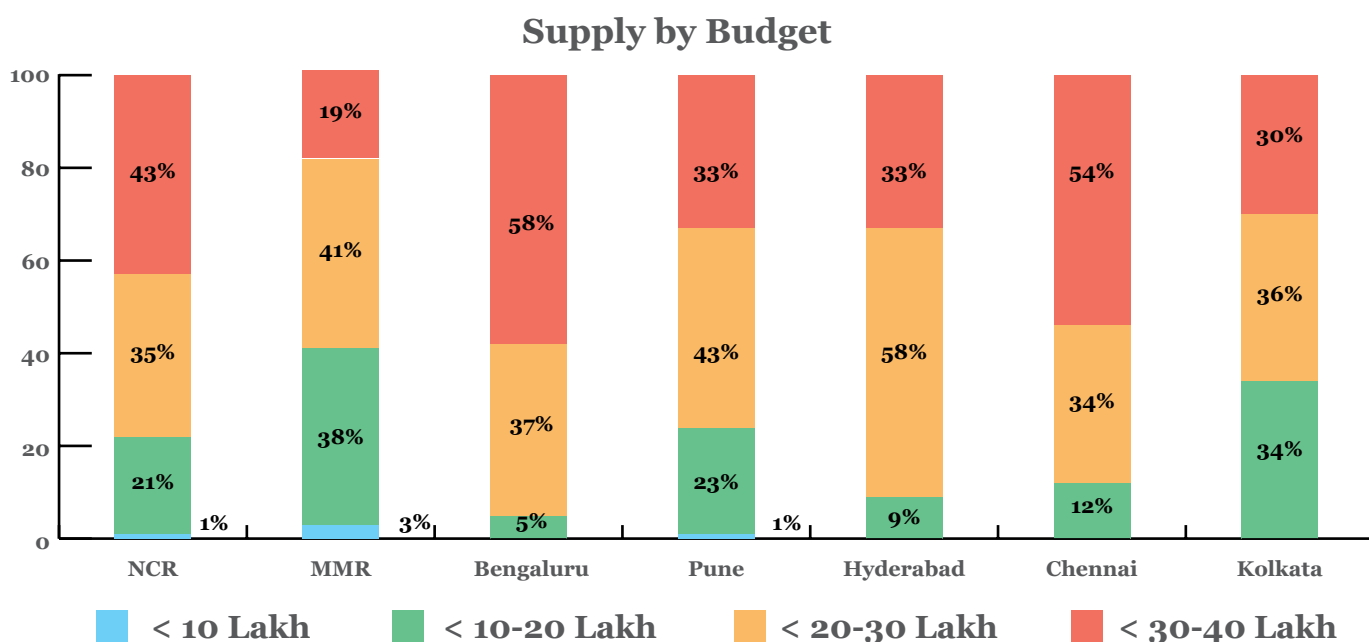
Total supply of affordable housing across the top 7 cities between 2013 to 2018 was around 7.65 lakh units while total absorption is estimated to be 5.95 lakh units. NCR, MMR, and Pune account for the top three active markets in terms of supply and absorption owing to the high rate of urbanization and industrial developments.

*Note: Unsold Inventory as of December 2018*



- New policy reforms and schemes announced by the central government over the last few years for the affordable segment seem to have resulted in increased new supply and demand in the category.
- Of the total affordable supply in Bengaluru between 2013 to 2018, 84% was absorbed. Similarly, 80% of the affordable supply during the same period was absorbed in Hyderabad.
- The unsold inventory of affordable units was around 2,38,750 units against the total of 6,73,000 as of December 2018 accounting for 35%.
- Only 13% of the unsold inventory in the affordable segment is ready-to-move-in, while another 41% is expected to be completed in the next 2 years

## Affordable Supply and Unit Sizes by Budget Segmentation



Source: ANAROCK Research  
Calculations have been rounded off

Within the affordable housing segment (units priced < INR 40 lakh), INR 20-30 lakh budget is predominant across most of the cities and accounts for 39% of the supply in the affordable housing segment. This is mainly in cities like MMR, Pune, Hyderabad, and Kolkata. The demand for this budget segment in MMR and Pune is driven by industrial developments in the cities. While Kolkata is a price-sensitive market, the pharma industrial base in fringes of Hyderabad is driving the demand for this segment.

INR 30-40 lakh budget accounts for 35% of the supply and is dominant in cities such as NCR and the IT-ITeS hubs of Bengaluru and Chennai.

The average size of units in the affordable housing segment range between 300-600 sq.ft. while high prices in MMR and Pune restrict the average unit size around 400 sq.ft, moderate prices in Hyderabad offers average sizes to be over 600 sq.ft.

## MMR Affordable Market

### New Launch Supply vs Affordable Supply

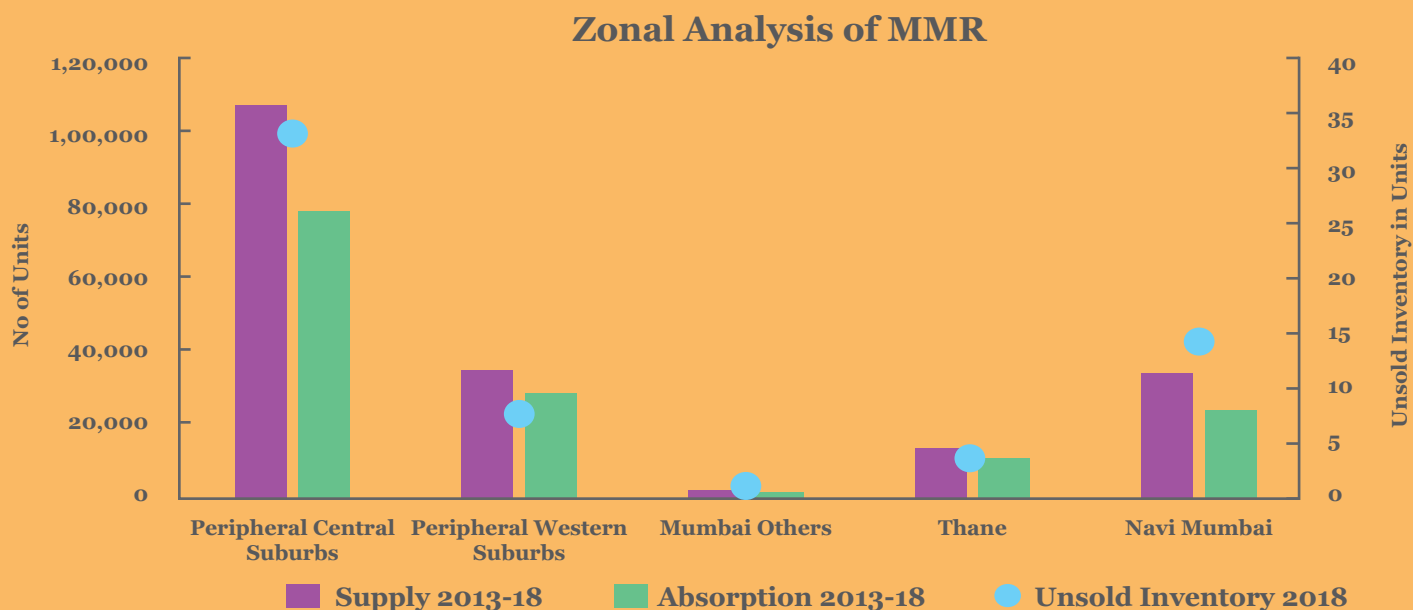


Source: ANAROCK Research

**Mumbai has continually offered affordable housing units to the Indian real estate market, primarily due to the city's expansion towards the peripheral suburbs. Constant upgrade of physical and social infrastructure has also improved connectivity to the locations where affordable housing supply is dominant.**

- The share of affordable housing in MMR has increased from 30% in 2017 to 40% in 2018. This indicates that the developers have gone back to their drawing boards and focussed on this segment so as to tap the appropriate market.
- Nearly 80% of the supply in Peripheral Central Suburbs and Peripheral Western Suburbs are in the affordable housing segment during 2013 to 2018.

## Zone-wise Affordable Supply and Absorption



Source: ANAROCK Research

## Top Affordable Localities of MMR

Most of the localities offering affordable housing in MMR are located towards the peripheries of the region and projects that lie close to the railway station find better traction. The suburban rail connectivity is the only affordable option for EWS and LIG residents to travel to the core parts of the city on a daily basis for work purposes.

### Badlapur, Vangani, Neral, and Ambernath:

Badlapur is well-connected through the central suburban rail line, and most of the other affordable dominant markets are located along the central lines.

- The proposed extension of Monorail from Thane till Badlapur and budget-friendly properties for first-time buyers has improved the demand in the locality in recent years.

### Panvel, Taloja and New Panvel:

The locality also has good rail and road connectivity to the core parts of Mumbai through both Central and Western lines, Mumbai-Pune Expressway and the Sion-Panvel Expressway. Metro line from Panvel to Vashi has transformed this region to a preferred residential destination.

- Proposed Dombivli-Taloja metro corridor and Mumbai Trans Harbour Link (MTHL) will further boost the future of residential real estate prospects in the markets.
- The proposed Navi Mumbai International Airport will further enhance the real estate activities in the future periods.

### Virar:

Virar railway station is located on the western suburban line, and it witnesses spillover residential real estate demand from Vasai, from home buyers looking for affordable properties.

- Proposed Mira Bhayander-Virar metro line will improve the connectivity and positively impact the residential prices in the locality.
- The upcoming Virar-Alibaug Corridor Project will connect all these localities to the national highways.



## Out of the 8 zones in the MMR, only five zones have affordable (units priced <INR 40 lakh) supply.

- Peripheral Central Suburbs, Navi Mumbai and Peripheral Western Suburbs dominate the affordable market with 91% supply in MMR region. Considering that the land prices are low in these regions and there's ample availability of developable land, these areas are prime for affordable housing developments.
- Peripheral Western Suburbs has better traction in the market due to good connectivity to the core areas by the Western Express Highway.
- More than 75% of the share in affordable supply for Peripheral Central Suburbs and Peripheral Western Suburbs is in INR 10-30 lakh budget segment. The average units sizes for these launches are in the range of 300 sq.ft to 360 sq.ft, as these zones have ample available land at affordable prices.
- Thane has recorded the highest supply (40%) in INR 30-40 lakh budget segment within the affordable segment. As this area is expensive compared to the other peripheral regions, unit sizes here are smaller compared to the other zones.



## Pune Affordable Market

### New Launch Supply vs Affordable Supply

The IT-ITeS and the automobile sectors have been the growth drivers of Pune. To accommodate the masses of migrant workers from these sectors, the private developers and the government have been continually endeavoring to provide required impetus to the affordable housing segment

- Pune has recorded supply of 35,310 affordable housing units in 2015, which is the highest in the last six years.
- 2017 has witnessed the lowest supply in the last six years due to the aftermath of DeMo in 2016 and also due to the huge unsold inventory. However, the share of affordable housing in the year accounted for nearly 60% as builders reduced the unit sizes to contain the cost within the desired budget.

Pune Supply Trends



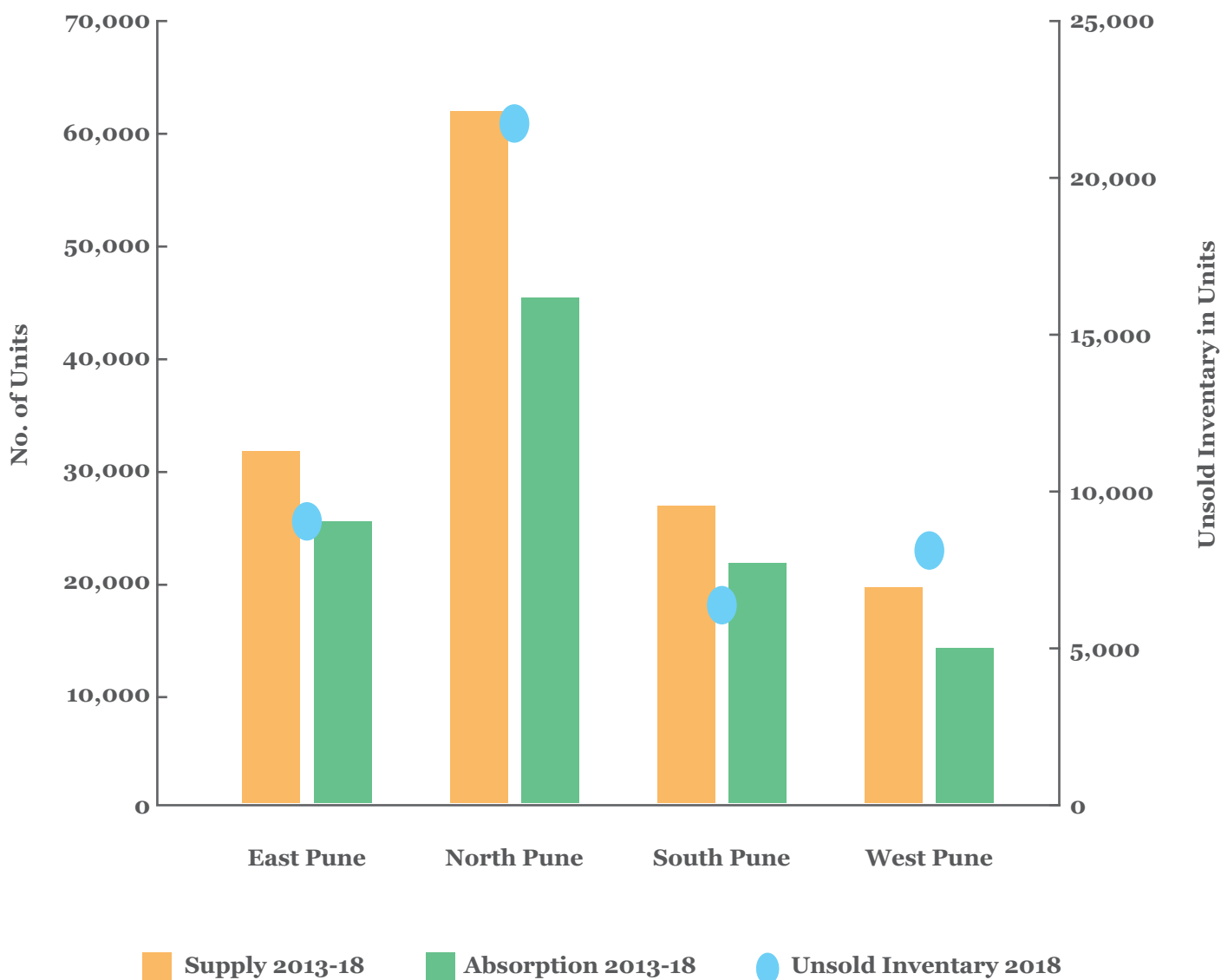
Source: ANAROCK Research

## Zone-wise Affordable Supply and Absorption

North Pune tops in affordable supply and absorption matrices. Total unsold inventory in affordable supply was approx. 44,780 units across the city as of Q4 2018.

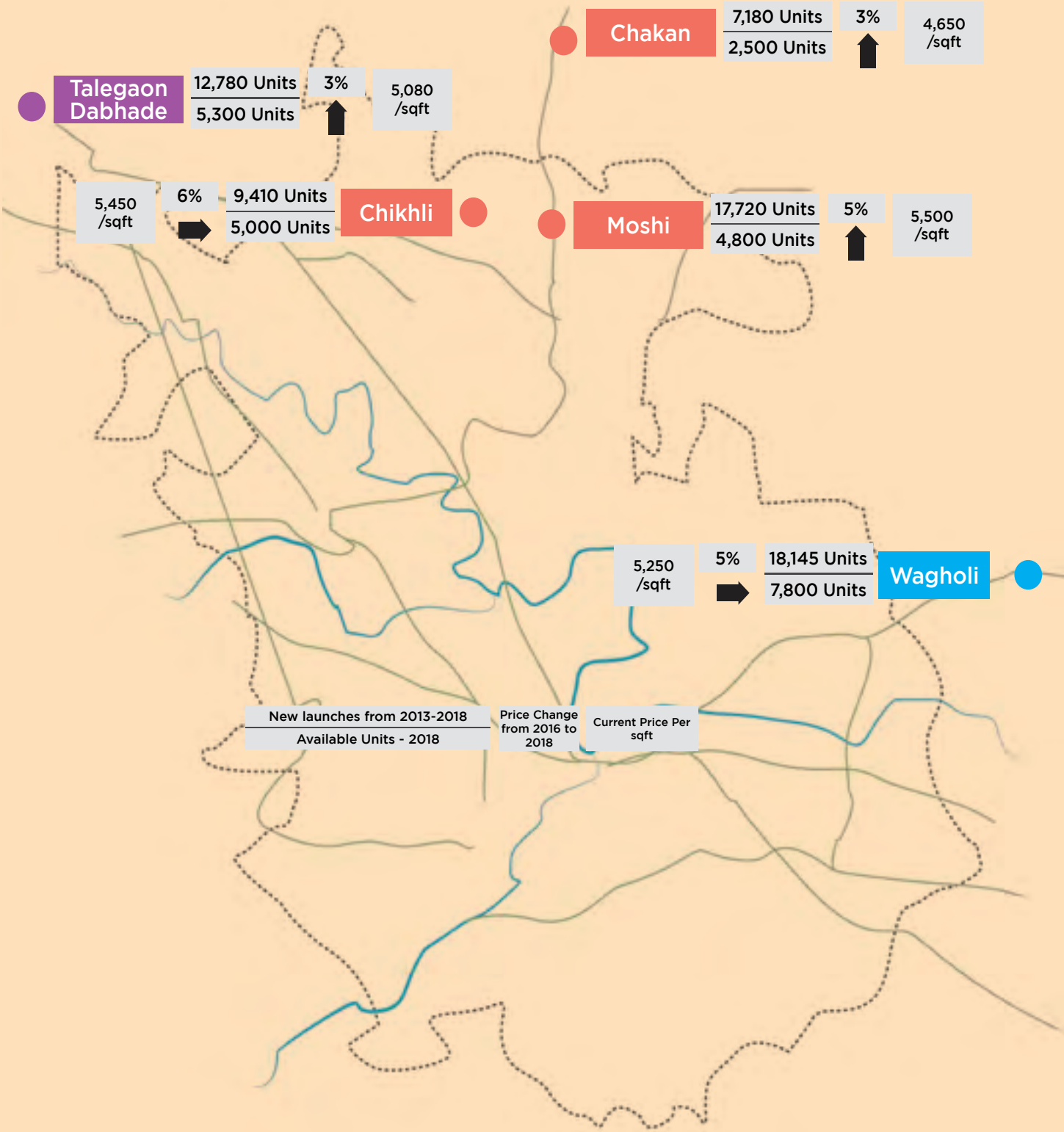
- Out of the total supply in North Pune, 66% of the supply is in the affordable segment from 2013 to 2018. Of the total supply, 73% is already absorbed as this market is dominated by IT-ITeS and industrial establishments, from which the demand for affordable housing is significant.
- Due to the dominant IT-ITeS segment in West Pune, the prices are on the higher side, which resulted in fewer launches in the affordable segment. This also reflected in less unsold inventory in the zone. West Pune has seen 52% of supply in INR 20-30 lakh bracket of total affordable supply, and the locality has the lowest average unit size of 390 sq.ft for the supply in the same bracket.
- South Pune accounts for 39% of the total supply in the budget range of INR 30-40 Lakhs owing to its large sizes and measuring 510 sq.ft.

### Zonal Analysis of Pune





Top Affordable Localities of Pune



## Wagholi:

Located close to IT-ITeS hubs such as Kalyani Nagar, Viman Nagar, and Kharadi, Wagholi is the most affordable locality in this stretch which provides good connectivity through Nagar road. The proposed extension of metro and under construction road-widening project on the stretch will remove the bottlenecks on the road and improve the connectivity to other parts of the city.

## Talegaon Dabhade:

It is located on Mumbai-Pune Expressway and home to many industries. It is located close to the Hinjewadi IT park, Chakan MIDC, the General Motors plant at Talegaon MIDC and Talawade IT park, etc. which creates huge demand for affordable housing from professionals working here.

## Moshi, Chikhali and Chakan:

These markets are mainly dependent on industrial establishments in the Pimpri-Chinchwad region. The road widening work from Nashik Phata to Indrayani River and proposed metro line will improve the connectivity to other parts of the city.





## OUTLOOK

Affordable housing in India is gaining momentum post the government's vision of providing a roof to all its citizens. Several initiatives have been taken by the government in the past, a few of which have yielded results too, but the housing shortage continues to be humungous. Further, the housing shortage across the country seems to be ever-increasing due to the rapid urbanization and economic growth led by massive investments in infrastructure and industrialization. As per estimates, the housing shortage in urban India is likely to reach 30 million by 2030, growing from 18.78 million in 2012.

Amidst rapid urbanization, the urban areas are worst affected and are witnessing severe pressure on their civic amenities such as water, sewerage, transport infrastructure, amongst many others. With land being a scarce resource in the core parts of the city, major urban areas have witnessed massive growth towards the peripheral locations and these regions have emerged as hotspots for affordable housing developments.

The primary challenge in developing affordable housing in areas that are remotely located from the economic traverse is its connectivity and the social infrastructure. We have seen affordable housing units being developed by the government under its various plans but are left unoccupied owing to various impediments. Hence, significant consideration and planning are required to build such developments in a location which are habitable and connected to the nearby centers

The cost of construction has a direct impact on the affordability and needs to be contained. While low profitability deters private participation in the affordable housing segment, the use of innovative material and disciplined execution can help contain the costs. This is going to play a crucial factor in the success of the venture.

As the affordable housing sector gets infrastructure status, financing is expected to become simpler and easily accessible. Going forward, we may see banks and financial institutions willing to fund these projects at affordable rates and with longer tenures. Also, private and institutional investors may see the merit in equity participation in many such projects which is expected to ease the financial stress of the projects.

Several incentives announced by the government for private participation may see encouraging results in the short to mid-term and is expected to be an important lever to release the stress that the Indian real estate sector is undergoing currently. The government and the town planning authorities should revise the density norms and augment the physical infrastructure in the master plans to enable vertical and dense developments with supporting robust infrastructure for the same.

That said, the aim of building affordable homes should serve the intent of the government and as such be in proximity to schools, hospitals, markets and accessible through affordable mass transport systems. The locations may have high density but the complimenting infrastructure such as roads, water, power, and sewer management will enable sustainability of affordable housing and prevent creation of slums.









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