

# HOW TO MAKE HOUSING MORE AFFORDABLE

## HOUSING FOR ALL

Real estate has been a major contributor to the growth of world economy, which is true in the case of India as well, with the residential property segment alone accounting for nearly 5-6% to the country's GDP.

And, in this segment, it is affordable housing which is believed to be the key enabler for reviving growth in the sector in the coming years, mostly driven by the Modi government's ambitious "Housing for all by 2022" scheme, as well as its focus on affordable housing.

Industry experts, however, say that although the government's move is commendable and some policy changes have also been made to give a push to the sector, this is still not enough and lots more remains to be done to make housing affordable in the true sense.

"The avowed aim of the Modi government's 'Housing for all by 2022' scheme is to construct 2 crore houses in Indian cities, within this time frame. But to achieve this, the government needs to introduce a fast-track approval process for such housing projects, provide suitable financial empowerment to EWS-category buyers, and unlock government-held land parcels on which such affordable housing can be built," Anuj Puri, chairman and country head of JLL India, said.

In line with the objective of financial empowerment, an interest subvention or subsidy scheme is necessary to provide cheaper-structured finance to the target categories. Also, the scheme envisions habitable shelters at zero cost to slum dwellers, but provides no tangible solutions for the urban poor who do not live in slums but, nevertheless, hope to own a house in a metro city.

Though the home loan amounts have been increased, the income levels of the targeted people, more often than not, exclude them from loan disbursement amounts of the required magnitude.

"If cheap, newly built houses are to become available to such people, and to migrating people who live in slums, appropriate land resources must be allocated. The government owns massive tracts of land that are lying idle, including land held

by the Indian Railways, department of heavy industries, the ministry of public enterprises, and port trusts. Such land must be unlocked, the approval process for scheme-specific housing projects must be put on fast track, and incentives for private sector participation must be worked out—all, through a massive coordinated effort. Only then will the vision of 'Housing for all by 2022' be achievable," Puri says.

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According to experts, a single-window clearance system alone can bring down the cost of property substantially. Currently, more than 50 approvals from the government and various authorities are necessary for the launch of a real estate project in India. The approval process, including the NoC and licences, take nearly 18-36 months to complete and, if any project gets stuck at some point, it causes further delay. But a single-window clearance system, if implemented, will not only prevent unnecessary delays in the delivery of a project, but also bring down the price of houses by at least 15-20%, making them more affordable.

It is also necessary to bring in the private sector, in a big way, for achieving the targets set out in the scheme. "The private sector has a substantial role to play in turning the dream of 'Housing for all' into reality. However, exorbitant land prices coupled with the high costs involved in long-drawn approvals are some of the biggest impediments in moderating the cost of housing, especially in urban areas," Vivek Singhal, president (corporate strategy) of M3M Group, said.

Singhal says that the input cost in housing largely consists of three elements—land, con-

struction cost, and approval cost-taxes. "While construction cost can be brought down by using cost-effective technologies, approval costs can only be brought down by policy initiatives by the state and central governments. Housing can also be made more affordable by development of smaller units, especially in places like Gurgaon, where density norms restrict development of smaller-sized units. Larger projects can also facilitate affordability, through the economies of scale," Singhal said.

Some experts and developers, however, believe that apart from the availability of finance, land and regulation, the success of the "Housing for all" scheme will depend, to a large extent, on execution as well.

"Unfortunately, execution is often given less attention. Apart from execution, the success of the scheme will also depend on improving urban infrastructure, speeding up the process of obtaining approvals, and targeting the actual beneficiary," says Dimple Bhardwaj, GM (marketing and corporate communications) of Raheja Developers Ltd, adding that housing can be made more affordable also by making models of subsidization and incentives to developers.

True, some challenges remain. But they need to be overcome—the sooner, the better.

"The Modi government's 'Housing for all by

2022' scheme is an effort to provide affordable homes to the urban poor and slum dwellers, at low interest rates. However, to achieve this goal, some challenges must be overcome, like: long gestation period of realty projects, absence of an effective policy framework for EWS and LIG,

high urbanization and migration rates, etc. We, however, believe that if the necessary policy changes are made and concrete steps are taken to implement them, 'Housing for all' would become a reality," Ravish Kapoor, director of Elan Group, said.

—Sanjeev Sinha



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