

CREDAI
AFFORDABLE HOUSING COMMITTEE PRESENTS

**AFFORDABLE
HOUSING
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Affordable Housing Defined

There is no clear-cut definition of the term 'affordable', as it is a relative concept and could have several implied meanings in different contexts.

- According to the RICS Report on Making Urban Housing Work in India, affordability in the context of urban housing means provision of 'adequate shelter' on a sustained basis, ensuring security of tenure within the means of the common urban household.
- According to the KPMG Report on 'Affordable Housing – A Key Growth Driver in the Real Estate Sector', affordable housing is defined in terms of three main parameters, namely income level, size of dwelling unit and affordability. Whilst the first two parameters are independent of each other, the third is a dependent parameter that can be correlated to income and property prices.

Affordable Housing in India is based on income categories, income levels, size of dwelling unit and affordability of an individual.

Income Categories	Income Levels	Size of Unit	Affordability
Economic Weaker Section(EWS)	< INR 3,00,000/- per annum	Upto 30 Sq.m carpet area	EMI to monthly income- 30 to 40 %
Lower Income Group(LIG)	< INR 6,00,000/- per annum	Upto 60 Sq.m carpet area	EMI to monthly income-30 to 40%

Income Levels and Housing Affordability

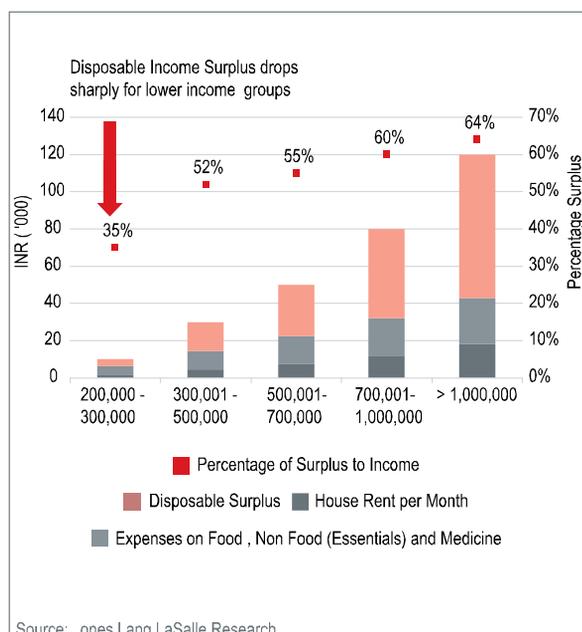
The relationship between income and affordability for various income groups follows a nonlinear trend. The costs on food, non food essentials and house rent form a significant portion of income for lower-income groups. As we move towards higher-income levels, the rise in costs do not increase at the same pace.



Disposable surplus income, which is often used to purchase a new house, drops significantly at lower-income levels and is higher at higher-income levels. Thus, people of higher-income levels can better afford to purchase new houses, owing to higher disposable surplus incomes. Moreover, it can be seen that this disposable surplus is highly sensitive to incremental change of expenditure. For example, if house rents increase from 15% to 20%, the disposable surplus for a LIG household (person with monthly income of INR 10,000) reduces to 30% from 35%.

Whereas for a person with monthly income around INR 120,000, it can be seen that when rent increases from 15% to 20%, the corresponding reduction in surplus income is from 64% to 59%.

Disposable Surplus for House Purchase in Various Income Groups



Benefits of Affordable Housing for a Developer

Conventionally, housing development for the EWS and LIG sections has been the responsibility of the government. However, in the past few years, private players have increasingly begun to realise the untapped opportunities at this section of the pyramid. Major benefits or factors attracting private player towards affordable housing segment are:

1. Emergence of micro-finance institutions focused on low-income housing has helped in improving buyer's access to housing finance.
2. Tax Allowance : 100% deduction in capital expenditure incurred for development of affordable housing.
3. Interest Rate Subsidy : 1% subsidy on loans upto INR 1.5 Million for home purchase of less than INR 2.5 million .
4. The existing shortage of urban housing for this segment (upwards of 20 million dwelling units) has created a huge demand leading to high sale velocities and lower risk.
5. Vast economies of scale lead to significant lowering of the costs of development for low-income housing.
6. Improvement in infrastructural connectivity to far-flung locations is increasing their acceptability as residential destinations. Developers want to tap into the changing perception before land prices appreciate such levels that do not support low income housing.
7. Infrastructure status to affordable housing by Finance Minister
8. Developers can access FDI which will be cheaper

Government Intervention

LAND

- At least 15% of the total project (FAR) or 35% of the total number of Dus, whichever is higher, will be reserved for EWS category.

- Provide land for affordable housing projects.

- Friendly land acquisition policy created for undertaking affordable housing projects.

- Innovative ways for capturing the value of land.

- Infrastructure services to existing housing colonies where there is absence of such facilities will be ensured.

FINANCE

- The State shall provide appropriate targeted subsidies for creation of affordable housing stock on both supply and demand side.

- Encourage private developers & ULBs/DAs/HBs etc. to undertake affordable housing projects under various schemes being implemented by the National Government.

- The policy seeks to promote Financial incentives to private developers.

- The States will consider concessions and or exemptions from State charges/taxes.

LEGAL AND REGULATORY REFORMS

- The State shall prepare a 10 year affordable housing action plan to ensure housing is provided for the immediate near future.

- Fast track the building permits, through Single Window Clearance, Issue simplified set of regulations and procedures for issue of such permits, Develop an online/e-enabled and transparent Single Window Approval System.

- Faster conversion of agricultural land to non agricultural land if in compliance with the Master Plan.

- Revised Planning & Development norms

CREDAI NATIONAL - AFFORDABLE HOUSING COMMITTEE



Mr. Shantilal Kataria

Chairman, Affordable Housing Committee
Credai National
President, Credai Maharashtra
Email- katariashantilal@gmail.com

Mr. Sachin Kulkarni

Convenor, Affordable Housing Committee
Credai National
Email:- sachin@vastushodh.co.in

Mr. Majid Kachhi

Convenor, Affordable Housing Committee
Credai Maharashtra
Email:- kachhigroup@gmail.com

Mr. Dilip Mittal

Convenor, Construction Cost Committee
Credai Maharashtra
Email:- dilip@mittalbrothers.com

Mr. Mayank Modi

Credai NCR-Delhi

Mr. Suresh Patel

Credai Ahmedabad, Gujarat

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Contact Us :

CREDAI

5th Floor, PHD House , 4/2 Siri Institutional Area.

August Kranti Marg, New Delhi-110016

Tel: (011) 43126262/ 43126200 ,Fax: +91 11 43126211

Email: info@credai.org