

**S. S. Hussain** I.A.S. (Ex)  
Chief Executive Officer

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To,  
Shri Ajit Kumar Jain (I.A.S.)  
Additional Chief Secretary to Chief Minister  
Main Bldg, 1st Floor,  
Mantralaya  
Mumbai - 400032

My Dear Ajit Jain

As per our telephonic discussion, I am sending you the note and brief discussion points on the role and contribution to Economy by the Real Estate industry, its employment potential as well as the constraints and impediments in developing housing stock, while facing the processes for the same.

With best personal regards,

Yours Sincerely



(S. S. Hussain)

Encl: As above

Shri Ajit Kumar Jain (I.A.S.)  
Additional Chief Secretary to Chief Minister  
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Mantralaya  
Mumbai - 400032

**S. S. Hussain**

Housing is a basic need and has one of the biggest impacts on people's wellbeing and quality of life. Home ownership is an aspiration for many Indians and the single biggest investment that most will make.

**Why is this Important**

Housing is a fundamental component of quality of life. Without appropriate shelter, people cannot meet their basic needs and participate adequately in society, with a sense of belonging, ownership and pride.

**Housing-Life's Essential**

Culturally and socially, Housing is ineluctably tied with our lives, "Bhoomi Poojan", "Griha Pravesh", Griha Shoba" "Griha Laskshmi", all signify the central role that good, safe, secure housing plays in our life, and in building stable, equitable communities, and a friendly neighbourhood with a "we feeling"

Lack of legal, affordable housing breeds a sense of deprivation, denial and discrimination, promoting vagrancy, anti-social and criminal behavior. (Examples are many, unfortunately)

**Housing Supports Economy**

Residential real estate provides housing for families, and is often the greatest source of wealth and savings for many of them. Commercial real estate, which includes apartment buildings, create spaces for jobs in retail, offices and manufacturing. Real estate income provides a source of revenue for millions of people.

**Real Estate's Contribution To GDP/Inputs for Economy**

The contribution of Real Estate & Housing to India's GDP has been estimated at 6.3 per cent in 2013, and the segment is expected to generate 7.6 million jobs in the same period, according to a report prepared by property consultants, CB Richard Ellis (CBRE) for CREDAI.

The State Government received Rs.14,700 crores through Registration and Stamp Duty from (MMR?) in 2012.

"The Indian real estate and construction industry is an integral part of the economy and plays an important role in the development of the country's infrastructure base and is one of the largest generators of economic activity,"

The annual real estate supply in India is expected to increase from about 3.6 billion sq ft in 2013 to about 8.2 billion sq ft in 2025. Majority of this space is expected to be concentrated in the residential sector.

The potential for development and growth in Indian real estate sector is tremendous. It is expected to generate over 17 million employment opportunities, across the country by 2025, thereby making a significant contribution to the GDP.

The total economic foot print generated by the construction of this real estate pipeline will require investment of INR 254,000 crores. It will help generate revenues worth INR 370,000 crores.

### Housing & Real Estate-The Catalysts

**Housing booms lead the way to broader economic growth, not vice versa.** Economic surveys in America have revealed that during three previous recessions—in 1980, 1991, and 2001—residential investment led the way to recovery, growing more than 30 percent on average in the first years of the recovery.

Despite recent gains, the housing market in the US has so far lagged behind growth in the broader economy, translating into billions of dollars in lost economic output and millions of missing jobs. *And the negative economic impact of that trend is still being felt around the world, including India.*

### Economic Benefits of New Home Construction

- **Create jobs.** Investing in the development of affordable housing creates a significant number of construction-related jobs, and new residents support additional jobs in other sectors going forward.
- **Increase Consumer Spending** Home buying typically generates a wave of activity. People who purchase homes spend money on improving their homes, installing new appliances, buying furnishings, and other items for at least two years since moving in.
- **Increase government revenues.** The taxes and fees associated with the development of affordable housing – both during the construction and after the homes are occupied – can represent significant revenue for state and local governments.

### Rapid Urbanisation

Urbanisation in India has been increasing at an unprecedented rate, with almost 71 million people being added to the urban population from 2001 to 2011. At this rate, close to 534 million people will live in Indian cities by 2026. This offers tremendous opportunities for real estate development. Maharashtra, a leading state in urbanization in the country, carries 45% urbanisation share in its progress.

Current population of MMR is 20.5 million.

Burgeoning cities have been drivers of growth for many property sectors across the state.

### Inclusive Housing

It is estimated that only 5% of the population at present have the means to buy a home in Mumbai MMR. A majority of MMR citizens are housed in dilapidated, cessed buildings, chawls, and slums.

With increasing concentration of economic and commercial activities, rapid economic growth and influx of population in Indian cities, the pressure on Affordable Housing delivery is mounting. We could look at this as a challenge, devising solutions that can help build sustainable communities, create social and economic stability.

The lack of cost effective housing is one of India's most pressing developmental problems. This has received some boost in recent years, but the problem now calls for urgent attention, and there is a need for comprehensive, positive steps to be undertaken from the government side.

### **Challenges/Constraints**

The sector faces numerous challenges, such as high borrowing costs, lack of institutional funding, lack of recognition as an Industry, lengthy approval processes and slow and uneven infrastructure development.

The Real Estate Sector, with its tremendous potential as well as Universal Need, faces numerous challenges, as big as the gap between demand and supply, if not less, such as dearth of adequate land stock, which is exorbitantly priced in MMR, high borrowing costs, lack of institutional funding, lack of recognition as an industry, lengthy approval processes – they need as many as 50, 60 types of clearances and approvals, during the process of their development. Finally, they suffer from uneven infrastructure development required for development of decent housing stock.

The builders face a very large number of impediments and constraints while making a successful project and getting it sanctioned by various local authorities and government branches of governance. The impediments and constrains, like various restrictive conditions in the overall sanctioning processes like environmental clearances, compliances of DCRs, NA, Safety and Security provisions, civil aviation clearances, which is pending for months in Mumbai - Navi Mumbai (NAINA) area. Generally, deficiencies in various types of infrastructural developments and long time taken for the projects, hamper the development of a good, decent & affordable housing stock.

### **Solution**

Addressing supply constraints, streamlining the approval process, permitting new sources of real estate funding and promoting private sector participation are some of the measures that can help make a significant breakthrough in the huge gap between supply and demand of affordable housing.

Giving infrastructural or industry status to housing, once this status is granted this would help channelize more institutional funding into this area because infrastructure, being a priority sector, would deservedly get its share.

Giving incentives to developers could be another tool to increase housing stock by providing extra FSI, along with the related infrastructure around, TDRs to create or earmark a portion for low cost housing. A time bound development of such projects would be very welcome encouragement.

The government could also consider providing developers assistance on financing and timely/faster clearances (Single Window Clearances). The steps like increase in VAT (2%) by Central Government and high bank rate interest will become further impediments or constrains for creating homes for the economically weaker and lower income group and the more than 15 million household would be forced to stay in unacceptably congested and unhygienic conditions.

#### **Plan housing supply in response to clear evidence of economic demand**

Government needs to develop a better understanding of current and future housing demand in their area by conducting more comprehensive housing market assessments. They need to actively engage the private sector (developers, investors, landlords and employers) and strategically align these assessments with local economic development plans. Policy makers need a much better understanding of how housing processes unfold, and how policy interventions are likely to impact on local economies. Housing cannot be treated as an isolated issue and policy needs to reflect better the nature of this interdependency with the wider economy. We need to develop a policy approach that will harness the role of housing as a distinctive driver of urban economic performance.

#### **Summary:**

- Real Estate & Housing are essential to the quality of life, the well-being of individuals, and society.
- Settled communities promote a stable social life, enhance civic consciousness, and a sense of nationhood.
- Real Estate & Housing support the Economy and are significant contributors to the nation's GDP.
- Real Estate & Housing are among the biggest promoters of direct employment. 1 housing unit generates 3 direct jobs, and more in allied sectors of cement, steel, aluminium, glass, wood et al.
- Real Estate's potential is seriously hampered by a regime of systemic over-regulation.
- Government and Real Estate Industry need to work out cohesive solutions that can propel the MMR into the ranks of the most developed and prosperous regions in India.



(S. S. Hussain)