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Ref. No. MCHI/PRES/18-19/198

March 8, 2019

To,
Hon'ble Shri Chandrakant Patil
Revenue Minister
Government of Maharashtra,
Mantralaya
Mumbai 400 032

Dear Sir,

Sub: Recalibration of Land ASR Rates in MMR

We at CREDAI-MCHI take this opportunity to thank you and your government to have amended the Stamp Act to pave the way for future reduction of ASR rates.

Sir, while the freeze of the ASR shall provide immediate relief to the Real Estate Sector in the MMR, amongst the multi-lateral issues that plague the sector is also the biggest pain area of various premiums linked to Land ASR rates.

So far as the land rates are concerned, they are the single most impacting component in a project's costing. Gone are the days when land rates in MMR were pegged at 70% of the project cost; they at best today are range bound from 20%~25% of sale values. Various analysis and reports have clearly brought out the fact that the current day premiums and charges payable to the government (all linked to land ASR) are around 20%~25% of the residential sale value. Another 30%~40% of the sale price goes towards the construction cost. **Accounting for other administrative, marketing and finance costs which is another 15%~25%, the land rates cannot under any scenario, be more than 20%~25% of residential sale rates.**

It is the need of the hour to address the issue of fixing land ASR rates basis a scientific approach which should be in compliance with various industry standards like IVS and/or RICS. With this letter, we are attaching the key findings of an independent study conducted by JLL, an International Property Consultant of repute for your kind perusal and action.

The key findings of the study are as follows:

1. While in other major cities, the RR rates are increased only once in 3~5 years, Mumbai is the only exception where it is done every year.
2. While the sanction & approval costs in other cities ranges from 3%~10%, in Mumbai it is as high as upto 20%. The biggest contributor is the linkage of approval costs to land RR.
3. The yearly increase in RR rates has not helped the government and MCGM either as the revenue receipts from DP are showing a declining trend.
4. As per IVS & RICS standards of assessing land value through residual approach, the land cost cannot be more 23% of the sale value across Mumbai.

Our Prayer

1. Please freeze the ASR for three years.
2. Going forward, please review ASR only once in block of 5 years.
3. Please realign land rate to up to 25% of residential sale rate.

We sincerely request your valuable time to discuss the details of this study and the way forward. We look forward to your confirmation of a convenient time and date when our delegation could meet you.

Thanking you,

Yours faithfully,
For CREDAI-MCHI



Nayan A. Shah
President



Bandish Ajmera
Hon. Secretary



Sanjiv Chaudhary MRICS
Chief Operating Officer