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**MCHI-CREDAI UNITS**

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Ref. No. MCHI/PRES/14-15/158

May 18, 2015

To,  
Hon'ble Shri Devendra Fadnavis  
Chief Minister  
Govt. of Maharashtra,  
Mantralaya,  
Mumbai

लिपिक  
मुख्यमंत्री सचिवालय  
मंत्रालय, मुंबई-४००३२.

**Sub: Re-look at the changes in FSI Premiums & Ready Reckoner Rates**

Respected Sir,

Mumbai, the commercial and entertainment center of India, contributes more than 5% of India's GDP and accounts for roughly about 25% of industrial output, 40% of maritime trade, and 70% of capital transactions to the national economy; Mumbai being not only the Commercial Capital but also the country's Maritime Capital with a 703 kms. of unhindered coastline.

The Real Estate Sector contributes nearly 7% to the nation's GDP and provides employment to more than 30% of the country's workforce. With it's never say die attitude, the city has always been the barometer of the country's economic health. Globally, the changing dynamics of Mumbai's Real Estate has defined India's Real Estate Industry's pulse.

According to a recently published report by National Skill Development Corporation (NSDC), the Real estate and construction sector is set to become the prime employment generator in India, registering the maximum rise in human resource requirement from 2013-2022. As per the report, India is estimated to need around 76.5 million workers in the building, construction and real estate sector by 2022, with affordable housing, which is expected to need 38 million workforce by 2030 from 29 million at present, predicted to be the key job creator.

In order to realize and fulfill the dream of our Hon. Prime Minister to provide Housing for All by 2022 and your dream of replicating the same (1.1 mn housing units by 2022) here in Maharashtra, a complete re-hauling and reorganization of the sector is required not just to ease the way of doing business, hasten up policy decisions and grant of approvals, but also to attract quality and big ticket capital flows thereby contributing substantially to national and state income.

**MCHI-CREDAI** (ISO 9001:2008)

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However, Sir, *Aamchi Mumbai*, truly the pride of India, is fast losing its prime position, as per one of the recently released report real estate analytic firm PropEquity's. As per the findings, Mumbai and National Capital Region (NCR) are fast losing sheen as real estate markets even as southern cities are moving on to higher rungs of the property ladder.

It may be noted, Sir, that as per the ranking of top 10 cities in the Indian residential property market in the report, **Mumbai has slipped from top position in 2009 to the eighth position in 2014** while Bengaluru had climbed to the first position from the sixth position during the same period. The cities were ranked on the basis of prices, supply, absorption, inventory overhang, new project launches, execution delays, market size and other such parameters.

As a humble submission to make, the industry has tried to keep the prices under check, with only a 7% year-on-year increase (Source : JLL's Mumbai Residential Market Report, April, 2015), the premiums coupled with the increase of Ready Reckoner Rates have resulted in a compounding effect leaving no further elasticity for developers to absorb prices with increased taxes. If the aforementioned increases in costs, taxes & premiums by the State Government are not seriously re-looked into, it would only be detrimental to the industry's health and has the potential to result in catastrophic results with nothing available as affordable housing for millions of households. The various industry reports need to be read as the warning bells.

Sir, affordability is already an issue in our city of Mumbai as is suggested by some of MCHI Research Team's analysis; the recent increase in FSI premiums and other charges could only make the situation financially untenable for the common man.

1. At the recently concluded MCHI's 24<sup>th</sup> Property Exhibition in April, 2015, which saw around 53000 footfalls, the demographic data collected from the participants highlights the issue of affordability already inherent in the city.
  - a. Nearly 55% of the participants reported a gross monthly income of upto Rs.100,000/-. With the current Home Loan norms of RBI and the prevailing rates of interest, for a 15 year loan for a 550 sq.ft. built up area, while half of them can only afford a price of Rs.3695/- per sq.ft., the rest can afford only Rs.8613/- per sq.ft. Properties at such rates may not be available even in the peripheral markets, out of city's municipal limits.

Gross Monthly Household Income	Upto 50k	50k~100k	100k~200k
% Footfall	27.70%	28%	25.10%
Average Property Price : (In INR / sq.ft.)	3695	8613	16522

- Using the population figures from the DP 2034 Report and using the demographic profiling data from McKinsey, Urban Land Institute, it has been diagnosed that 16% of MMRs population can only afford a Rs.13.5 lakhs tenement under the current Home Loan (15 years tenure) guidelines, with another 58% only in a position to purchase a house worth Rs.33.5 lakhs.
- As reported by various IPCs, housing in Mumbai within Municipal Limits has already gone beyond the reach of the common man with per sq.ft. prices ranging from a low of Rs.8000/- in the outskirts of Dahisar to a high of Rs.100,000/- in Malabar Hill. As a ready reference, please find below a table depicting the average capital values of residential property, across key micro-markets.

Location	Micro-market	Price range in H2 2014 (₹ /sq ft)
Lower Parel	Central Mumbai	24,000-36,000
Worli	Central Mumbai	31,000-55,000
Ghatkopar	Central Suburbs	12,000-21,000
Mulund	Central Suburbs	10,000-14,000
Powai	Central Suburbs	13,000-20,000
Parvel	Navi Mumbai	4,500-6,500
Kharghar	Navi Mumbai	6,500-9,500
Vashi	Navi Mumbai	10,000-15,000
Badlapur	Peripheral Central Suburbs	2,800-3,500
Dombivli	Peripheral Central Suburbs	4,500-6,000
Mira Road	Peripheral Western Suburbs	5,500-7,500
Virar	Peripheral Western Suburbs	4,500-5,500
Tardeo	South Mumbai	40,000-60,000
Ghodbunder Road	Thane	6,000-10,000
Naupada	Thane	13,000-18,000
Andheri	Western Suburbs	14,000-21,000
Bandra(W)	Western Suburbs	40,000-60,000
Borivli	Western Suburbs	11,000-15,000
Dahisar	Western Suburbs	8,000-10,000
Goregaon	Western Suburbs	13,000-15,000

Source : Knight Frank Research

Therefore, MCHI-CREDAI under the above circumstances, would like to request you to kindly take cognizance of some of these market symptoms / signs only with the objective of safeguarding this city's historic and economic position. We humbly request your kind attention into the following matters on priority:

1. **Rolling back the premiums to 30% from the proposed 60%;**
2. **The effective Ready Reckoner (RR) Rates to be linked to the RR Rates of 2008; and**
3. **Rationalisation of various taxes, premiums and faster approval process to avoid negative impacts.**

If ignored any further, while the average dweller may find buying property completely unaffordable, the city may lose out on big ticket investments, resulting in muted growth.

Yours Sincerely,  
For MCHI-CREDAI



**Vimal Shah**  
President