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Ref No : MCHI/PRES/22-23/003

Date: 25/1/2022

To,  
Shri Bhushan Gagrani (I.A.S.),  
Principal Secretary,  
Urban Development Department,  
Government of Maharashtra

*Handwritten signature*  
25/01/2022  
प्रधान सचिव (नवि-9)  
नगर विकास विभाग  
महाराष्ट्र शासन, मंत्रालय  
मुंबई

**Sub: CREDAI-MCHI report on MMR Housing Uptick aided by Support**

Respected Sir,

At the onset, CREDAI-MCHI would like to express our sincere gratitude for accommodating us in a short notice on 24<sup>th</sup> January 2022. We are also grateful for your constant support and guidance to the industry.

Sir, as discussed in the meeting, we would like to submit our joint research report - 'MMR Housing Uptick aided by Support', which is jointly prepared by CREDAI-MCHI, Colliers and CRE- Matrix. This reports brings out a critical analysis of the reasons behind the revival of the real estate sector. This report is an applaud to the efforts taken by the State Government which resulted in shift in momentum of Real Estate.

The key highlights of the report are:

- The year 2021 saw the highest residential registrations in MMR in recent times at about 242,000 units, a 53% increase from 2020 and a 20% increase even over 2019. These statistics and many more analysis are part of the 'MMR Housing Uptick aided by Support' research report, conducted jointly by CREDAI MCHI, Colliers and CRE Matrix.
- Further, the reduction in stamp duty helped in doubling the number of flats sold. Notably, almost INR 1.30 lakh crore worth of residential flats were sold in the period of October, 2020 to March, 2021. All of these led to an indirect collection of GST wherein the state received 9% of the construction costs as GST & further 2.5% GST on value of apartments sold.
- In MMR, the trigger in home sales in 2021 led to 81% higher stamp duty collections YOY, almost touching 2019 levels. The Brihanmumbai Municipal Corporation (BMC) also saw a massive upsurge in premium collections as it crossed INR 11,000 crore before the end of December 2021. The average collection over the past 10 years have been in the range of INR 3500- 4000 crore, which shot up manifold.
- At the same time, in FY 2020-21, property tax collections hit a 10 year-high with collections of INR 5,135 crore meeting 98% of the projected. Property tax is the second biggest source of revenue for the municipal corporation of Greater Mumbai after Goods and Services Tax (GST).

**Maharashtra Chamber of Housing Industry**

Maker Bhavan II, 4<sup>th</sup> Floor, 18, V. Thackersey Marg, New Marine Lines, Mumbai - 400 020.  
Tel: 42121421, Fax: 4212 1411/407 Email: secretariat@mchi.net Website: [www.mchi.net](http://www.mchi.net)

Sir, the copy of the report is attached herewith for your kind perusal.

We hope that this report will very useful to highlight the fiscal achievements of the government-backed by the bold and informed decision making of the State Government.

Thanking you for your continuous support and looking forward to hearing from you.

Yours faithfully  
For CREDAI-MCHI



**Boman Irani**  
President

An aerial photograph of Mumbai, India, showing the city's dense urban landscape, the Arabian Sea, and the Bandra-Worli Sea Link bridge in the background under a dramatic, cloudy sky.

# MMR

Housing Uptick Aided  
by Support



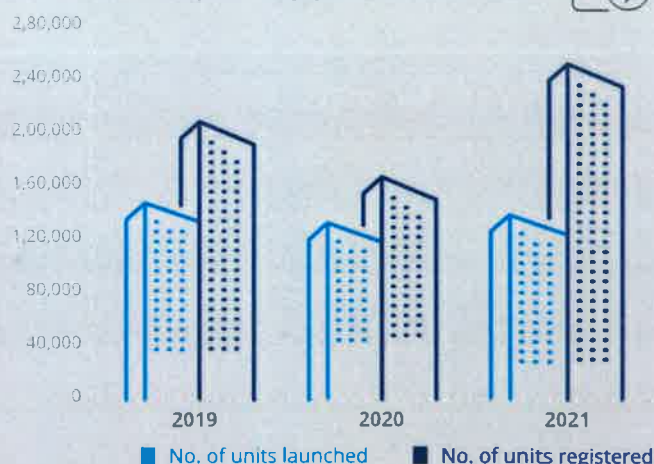


# 2021 in MMR: A new residential cycle begins

## Setting the context

The residential real estate market in India has been seeing stagnant demand since 2015 due to several reasons. High prices, the unrest due to demonetization, introduction of the Real Estate Regulatory Authority (RERA) led to a further environment of uncertainty. As demand began to pick up in 2019, the sector faced repercussions from Covid-19-induced lockdowns. In 2020, housing sales further dropped, and developers postponed project launches. To rein in the fall, several Governments including the Maharashtra Government have been providing incentives to steer residential sales in the sector. In this report, we explore the various steps taken by the Maharashtra Government and the impact it has on the residential market in Mumbai Metropolitan Region (MMR). We also make recommendations that would infuse confidence amongst property buyers and lead to an uptick in sales and revival of the sector, benefitting both the Government and the end users.

Registrations in MMR surged in 2021 surpassing pre-covid levels



Source: CRE Matrix, Colliers

Led by the steps taken by Maharashtra Government such as stamp duty cuts, residential property registrations during 2021 rose 53% from 2020; and 20% from 2019 in MMR.

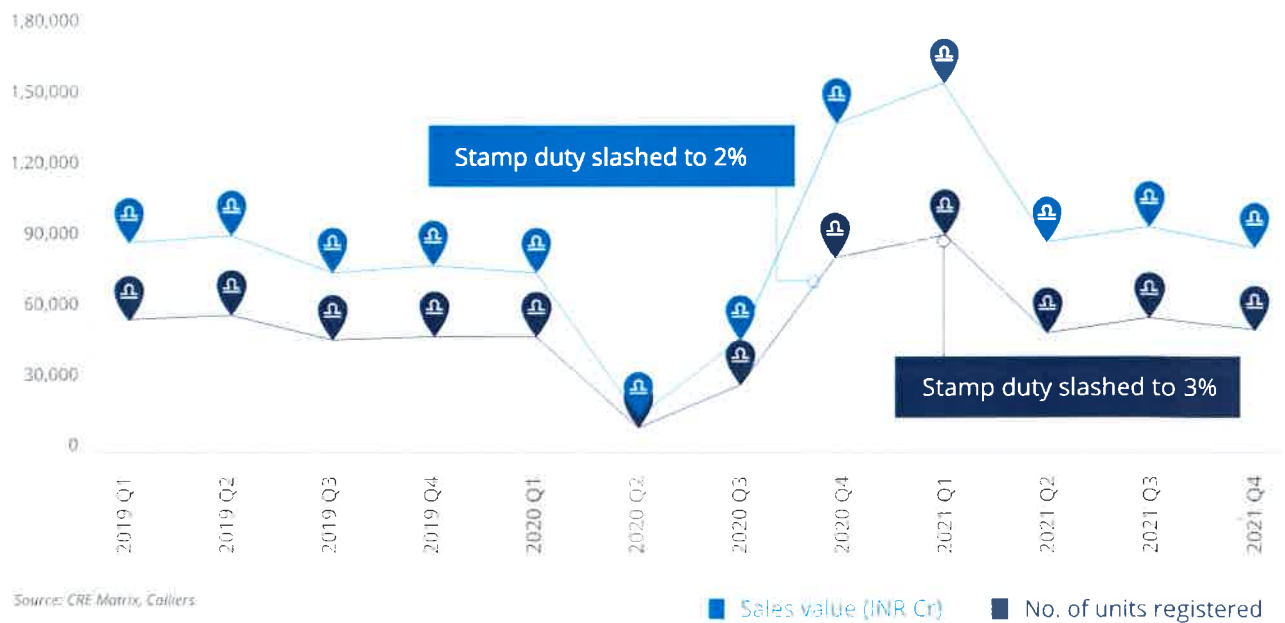


## Recommendations by Deepak Parekh Committee for Maharashtra

Recommendations	Not accepted	Partially accepted	Completely accepted
Helping migrant workers get back to work		✓	
Deferred payment mechanism for sale of plots by state bodies	✗		
Grant concession/waiver on stamp duty and registration charges for a defined period		✓	
Reduction in levies and charges		✓	
Concessions for Retail, Malls and Hotels	✗		
MahaRERA - Extension in project completion date			✓
Amend conversion rules with lower charges	✗		
Reduce ready reckoner rates more frequently	✗		
Streamline approval process	✗		
Measures needing coordination between central and state Government	✗		

# Maharashtra Government's timely action steers residential sales

Demand jumps with a cut in stamp duty



## Waiver on stamp duty aided residential sales

The Government in September 2020, reduced stamp duty charges for all residential transactions till March 2021. Since the stamp duty charges are over and above the property costs, it often plays a huge role in influencing purchasing decisions.

As seen above, a cut in the stamp duty charges in MMR had a direct positive impact on the property registrations during the period. When the Government cut stamp duty charges to 2% from September 2020, the property registrations rose. As a result, Q4 2020 and Q1 2021 accounted for **51%** and **38%** of the sales volume for **2020** and **2021** respectively.



## Stamp duty cuts - Impact analysis

Period	Stamp duty rate	QoQ change in stamp duty collection	Stamp duty payable by an individual (considering INR 70 lakh property)
Period prior to Sep 1, 2020	5%	NA	INR 350,000
Sept 1, 2020 to Dec 31, 2020	<b>2%</b>	<b>118% increase</b> in Q4 2020	<b>INR 140,000</b>
Jan 1, 2021 to Mar 31, 2021	<b>3%</b>	<b>40% increase</b> in Q1 2021	<b>INR 210,000</b>
Rates after Mar 31, 2021	5%	<b>28% drop</b> in Q2 2021	INR 350,000

Source: Government of Maharashtra, CRE Matrix, Colliers

## Stamp duty cut in other states



### Karnataka

In Sept. 2021, Government announced stamp duty **rebate of 2%** for affordable housing



**Marginal benefit in sales** due to the rider on housing segment



### West Bengal

In July 2021, Government announced stamp duty rebate of 2%



**Higher property registrations** in 2021 end

## Key takeaways (MMR)

Led by the stamp duty cuts, Q1 2021 saw the **highest** quarterly registrations in three years (2019-2021) in MMR.

Cut in stamp duty gave fillip to affordable and mid segment (<INR1 cr). Registrations rose **22%** in 2021, over 2019.

In 2021, total sales revenues rose **48%** over 2019 and **69%** YoY compared to 2020.

Demand in luxury segment bounced back after several years. Sales in the luxury segment (>INR3 cr) almost **doubled** in 2021, compared to 2019, accounting for the highest share in three years.

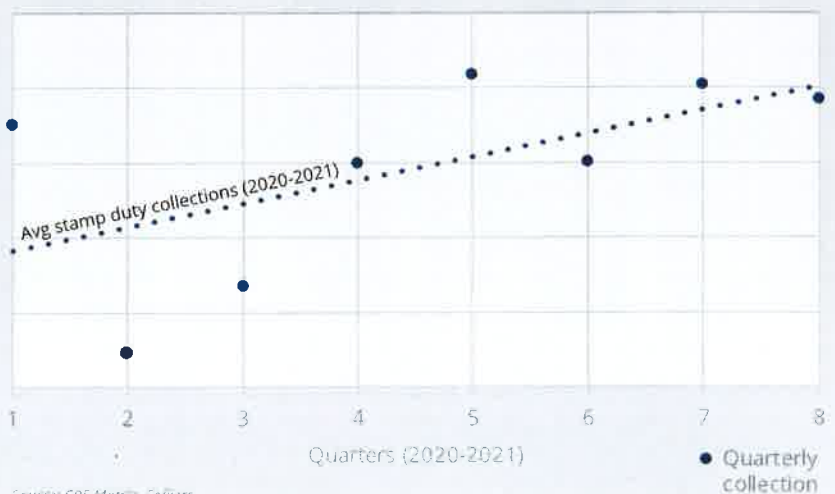


## Lower stamp duty charges, but higher collections in Government's coffers



Despite a cut in stamp duty charges in September 2020 and Jan 2021, the Government's stamp duty collections rose, as seen above. This was led by increased volume of property registrations steered by the rate cut, and other factors such as low home loan rates, largely stable prices, and the inclination to own homes due to the pandemic.

Stamp duty collection dipped soon after the rates were reset



Source: CRE Matrix, Colliers



## Demand in peripheral areas and suburbs witnessed an uptick



Source: CRE Matrix, Colliers

Total property registrations

**2,42,061**

Total no. of units launched

**1,34,962**

### Market definition

CBD Mumbai	• Colaba, Marine Lines, Tardeo
Central Mumbai	• Parel, Dadar, Prabhadevi, Wadala, Matunga
Central suburbs	• Bandra, Kalina, Kurla, Santacruz, Sion
Eastern suburbs	• Chembur, Ghatkopar, Vikhroli, Powai, Mulund, Bhandup, Karjurmarg
Western suburbs	• Andheri, Goregaon, Malad, Kandivali, Borivali, Dahisar
Thane	• Kalwa, Majwada, Waghe Estate, Kolsner, Kasarvadavali
Palghar	• Mira road, Bhayandar, Vasai, Nalasopara, Virar
Raigad	• Airoli, Ghansoli, CBD Belapur, Panvel, Uran

Note: All values are reported for 2021 | Property registrations in units





## Key Takeaways

**Central Mumbai** saw the maximum revival in sales in 2021. Registrations here rose **93%** from 2019 and 71% from 2020. Luxury segment had 77% share in sales.

**Thane** accounted for the highest number of registrations with **42%** share, and highest stamp duty collection. Clear preference for units priced below INR1 crore.

**Western suburbs** recorded highest sales value with about INR 49,000 cr in 2021. The sum accounts to one-fourth of total sales revenue in MMR.

Overall launches in city rose 3% from 2020 but continues to be about 4% lower than pre-covid levels. In 2021, Thane saw the maximum number of launches with a share of 41%.

# Additional reforms creating a win-win situation



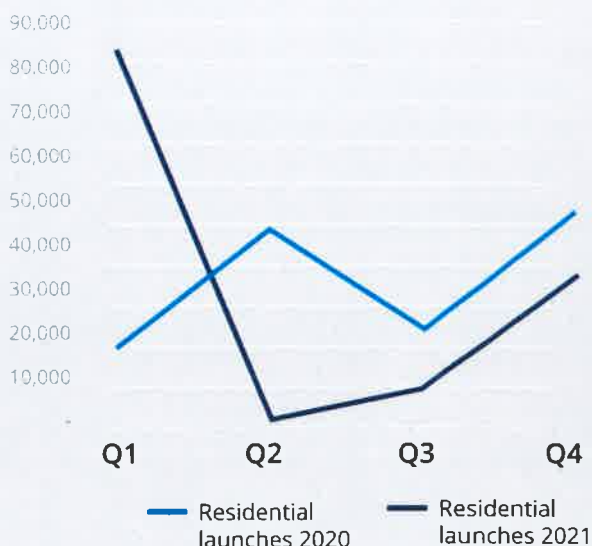
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## Reduction in levies and charges

The premium charged for real estate development under DCPR was reduced by 50% for a year\* till December 31, 2021, as recommended by the Deepak Parekh Committee. The step helped in driving new launches and investments in the region. Recently, owing to its success and with an increase in revenues, there was a plea to extend the concession further till March 31, 2022. However, the extension has been provided only until January 31, 2022.

Typically, the levies constitute about 1/3rd the sale price of the project in MMR and are prohibitively higher compared to other major cities. Further, reducing the one-time premium to 5% irrespective of class of land, can reduce the price and steer sales. Currently, premium is charged at 10-35% of the ready reckoner rates. The move will help reduce the costs from the 22 premiums and charges<sup>1</sup> that are collected in MMR.

## New launches accelerate Q4 2020 onwards, as a response to reduction in premiums and other incentives



Source: CRE Matrix, Colliers

## A bumper year for premium collections

As a response to reduction in premium, the Brihanmumbai Municipal Corporation (BMC) saw a massive upsurge in premium collections as it crossed INR 11,000 crore before the end of December 2021.

The average collection over the past 10 years have been in the range of INR 3500- 4000 crore, which shot up more than 2 folds, as a result of reduction in premiums by 50%. The collections for FY 2019-20 was about INR 3,800 crore, which dropped to INR 2,500 crore in FY 2020-21, as a result of pandemic led restrictions.

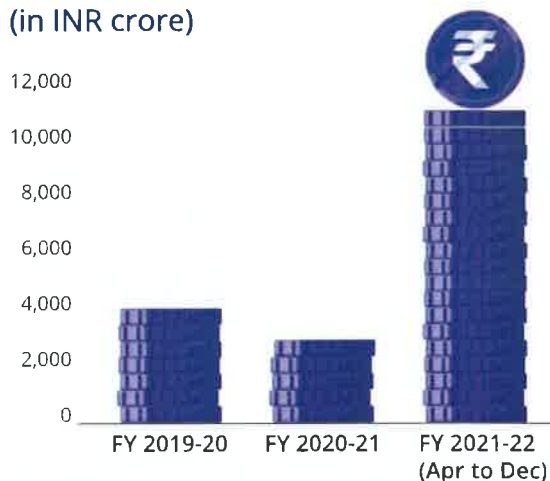
Evidently it can be seen that even though the premium rates were halved, the volumes of collection increased and benefited the exchequer with a multi-fold increase in revenues. At the same time, it benefited the builders as many projects which were not viable due to high premiums, had become viable due to reduction in premiums by 50%.

\*Condition- Builders who opt for the 50% reduction in premiums will also have to pay the entire stamp duty when they sell flats to buyers by giving an undertaking to the local bodies.

Recommendations for real estate sector Maharashtra, by Deepak Parekh

\*\* Data pertains to BMC limits

## Premium collections\*\* (in INR crore)



Source: Industry

**Western suburbs contributed to more than half of the premium collections (Jan-Dec 2021)**



## Helping migrant workers get back to work

A one-time deposit of INR 2000 was announced in April 2020, to over 12 lakh registered construction workers as Direct Benefit Transfer (DBT). We believe that including travel and insurance costs would have further supported migrant workers and helped them return post lockdowns. With prevailing uncertainty, similar provisions could be provided by the Government for any unprecedented event in the future. This will ensure timely availability of labour and uninterrupted construction activity.

## MahaRERA- 6 months extension in project completion date

As recommended by the Deepak Parekh committee, following the second wave, the Government invoked the force majeure clause in August 2021, to provide 6 months extension in project completion date. This was applicable only for the projects that were to be completed on or after 15 April 2021. The step played an integral role in providing relief to developers, as post-covid, construction activities came to a standstill, along with supply chain disruption. This has also helped cut down on litigations and procedural delays.

Overall, the incentives introduced by the Maharashtra Government have triggered activity in MMR's residential market. It helped the market spring back from the dampened demand environment due to Covid-19. There was a direct benefit seen on affordable and mid segment demand, led by the incentives. However, there is still room for some continued support for homebuyers in an uncertain economic environment.







## How did it benefit consumers:



The slashing of stamp duty had a **positive impact** on homebuyers as it directly reduced the financial outgo while purchasing a house. For instance, a homebuyer who bought a property with an agreement value of, INR 70 lakhs paid stamp duty of INR 140,000, between September 1, 2020, to December 31, 2020, and **INR 210,000** between January 1, 2021, and March 31, 2021, as against **INR 350,000 without a rate cut at 5%.**



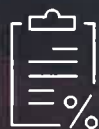
As a requisite, the developers/builders who opt for 50% reduction in premiums, were mandated to pay the entire stamp duty when they sell flats to buyers. This amount further **gets reduced for homebuyers**, who plan to buy properties in such projects.



Starting April 2021, Maharashtra Government announced a **concession of 1% on stamp duty for women homebuyers**. This move gave a push to first-time women homebuyers through incentivizing stamp duty payment.



Recently, the Supreme Court has announced that **in case of a delay**, on part of the builder to get occupancy certificate, it would amount to deficiency in services on the part of the company. The builder would be **liable to refund money** if the homebuyers were forced to pay higher taxes and water charges due to lack of an occupancy certificate.



On January 12, 2022, the Government has also **approved property tax waiver** for houses, with an area up to **500 sq ft in Mumbai**.

## Property tax collections: highest in the decade

In FY 2020-21, property tax collections hit a 10 year- record high with collections of INR 5,135 crore meeting 98% of the projected target of INR 5,200 crore despite the pandemic. Property tax is the second biggest source of revenue for the municipal corporation of Greater Mumbai after Goods and Services Tax (GST). Western suburbs, including Andheri, Jogeshwari and Ville Parle was the top contributor for property tax collections, with about 50% share. As the stamp duty cut led to an upsurge in the number of registrations in the last 4 months of the year, the revenues for the Government also saw an uptick. For 2021-22, the BMC has projected the property tax collection of INR 7,000 crore. Higher collections is also attributable to enhanced collection efficiency.

Moreover, recently, the Maharashtra Cabinet has waived of the property tax for residential units up to 500 sq ft (46.4 sq m) falling within BMC limits, effective from January 1, 2022. The move is expected to benefit about 16 lakh units. At the same time, the waiver will result in a revenue loss of INR 462 crore for the exchequer.

### Property tax collections (in INR crores)



Source: Industry

## Unsold inventory recedes, but demands further assistance



Source: CRE Matrix, Colliers

While the market conditions have improved, MMR continues to see substantial unsold inventory. For perspective, the unsold inventory at the end of December 2021 was just **1% lower** from that of 2020. Despite a spurt in sales (measured through property registrations) led by stamp duty cuts and other concessions, unsold inventory still stands higher than pre-covid levels. This underscores the importance of continuous short-term relief measures that can keep market sentiments positive.

# A bit of a leg-up to keep up the momentum in market



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## Continuing stamp duty cut for another year

We believe that reducing stamp duty charges for the whole of 2022 will further help in reducing the level of unsold inventory in the market. As of **December 2021**, majority of the unsold inventory, which is about **2.6 lakh units**, accounting to **38% share**, was seen in Thane. Lower stamp duty charges will propel especially those homebuyers who are still on the fence regarding making a purchase.



## Concessions for retail, malls and hotels

The Deepak Parekh Committee suggested providing concessions to malls and hotels in terms of electricity and water charges. **Providing concessions** can help these entities recover from the lockdown-induced revenue losses they suffered.



## Amending land conversion rules

Amending land conversion laws will help **simplifying the process** of converting agricultural land to non-agricultural land. Land acquisition in India is fraught with many challenges resulting in long delays. This is likely to aid the expansion of industries. The Maharashtra Government is likely to issue an order soon to simplify laws regarding **land-use conversion**.



## Reducing ready reckoner rates more frequently

The Maharashtra Government kept the ready reckoner rates for MMR unchanged in April 2021, after having increased by **1.7% in 2020**. While the Deepak Parekh Committee recommended to reduce the rates, the Government kept it unchanged after seeing some buoyancy in demand in MMR led by lower stamp duty charges. A reduction in ready reckoner rates can provide some savings for homebuyers through lower registration rates and lower property tax. For perspective, In Karnataka, the Government reduced guidance value by **10% effective 1 Jan 2022**. The market can see some positive impact from this in the coming months.



## Single-window clearance system

**Streamlining approval process** will go a long way in **reducing approval costs** for developers and other entities.



## Deferred payment mechanism for sale of plots by state bodies

By allowing **staggered payments**, the Government will see **fresh investments in industries**. High land cost in MMR is prohibitive to many industries and is a major barrier to entry for smaller firms who are not able to pay upfront amount.

While reduction in stamp duty, reduction in premiums and levies and assistance to migrant workers has helped real estate market of MMR gain its lost ground, it is important to provide continued assistance until uncertainty led by pandemic looms over. Implementing some more recommendations mentioned above like continuation in providing concessions and ease in clearances by Government will provide the much-needed thrust to the sector and help it remain buoyant.



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