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CREDAI - MCHI

Ref. No. MCHI/PRES/24-25/075
Date: 8/8/2024

To,
Smt. Jayashreerani Surve
Dy. Director Town Planning & Valuation
Old Custom House,
Shahid Bhagatsingh Marg, Fort,
Mumbai – 400 023

Subject: <u>Concerns Regarding the Proposed Revision of Ready Reckoner Rates for 2025-26</u>

Respected Ma'am,

On behalf of CREDAI-MCHI, we would like to express our appreciation for the opportunity to provide input regarding the proposed adjustments to the Annual Schedule of Rates (ASR) for 2025-26.

Any increase in Ready Reckoner (RR) rates, creating a substantial burden on the affordability of housing. This trend is particularly concerning when compared to other states in India that have adopted more balanced approaches to their RR rates, enhancing their competitiveness and appeal to potential homebuyers.

Impact on Housing Affordability:

The core of our concern lies in the accessibility of housing for the working class in Maharashtra. As highlighted in the CREDAI-MCHI report, the average property prices in Mumbai's top micro-markets have reached an astronomical INR 78,000 per square foot, compared to INR 13,000 in Bengaluru and INR 30,000 in Delhi NCR. Such disparities clearly indicate a pressing need for Maharashtra to not increase its RR rates to ensure they align more closely with affordability of housing for potential homebuyers.

Furthermore, the rising costs are making it increasingly difficult for families to purchase homes in Mumbai, leading to a migration of talent and resources to other states where housing is more affordable. This outflow negatively impacts not only the real estate sector but also the broader economy of Maharashtra.

Comparison with Other States:

States like Karnataka, Delhi/NCR, Gujarat, and Telangana have adopted strategies that maintain competitive RR rates, promoting affordability and supporting local economies. In these regions, real estate markets have thrived, providing accessible housing options and attracting a diverse workforce, including professionals who find these regions more financially viable.

In contrast, Maharashtra's RR rates have not only put home ownership out of reach for many but have also positioned the state unfavorably in the competitive landscape of Indian real estate. As a result, cities such as Bengaluru, Hyderabad, and Ahmedabad are rapidly emerging as attractive alternatives for both businesses and residents.

08/08/24
लिपिक, याचे टेबलावर

उपसंचालक नगर रचना
मुंबई प्रदेश (मुल्यांकन), मुंबई

Maharashtra Chamber of Housing Industry
Maker Bhavan II, 4th Floor, 18, V. Thackersey Marg, New Marine Lines, Mumbai - 400 020.
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Economic Implications:

The affordability of housing is a crucial factor in the economic development of any region. When potential homebuyers are priced out of the market, it leads to stagnation in the real estate sector, decreased investment, and a decline in consumer spending. These elements are critical to maintaining Maharashtra's position as a leading economic powerhouse in India.

Moreover, any further increase in RR rates will exacerbate the existing challenges, potentially leading to reduced economic activity and a loss of revenue for the state as buyers and investors turn their attention to more affordable regions. This could result in a diminished tax base and increased competition from other states that offer a more favorable environment for growth and development.

Impact of High RR Rates:

It is observed that residential rates mentioned in the RR at several locations in MMR are higher than the Market Value of Apartments. Also land rates are very high as a percentage of residential rates mentioned in the RR. In Mumbai, the land rates are not backed by any actual sale data. This is unjust and should be corrected. It is suggested to **reduce the residential rates mentioned in the RR**. Also, to address higher RR than MV, we request you to **empower the town planner of your department for reduction in RR** where the same is higher than MV. Also requested to reduce the land rate to 33% of the residential RR Rate, which is considered as an appropriate value of land or continue the same RR Rate for the year 24-25.

Further would like to bring to your notice that the construction cost varies based on the heights of the building, complexity of the development etc. Hence, it is suggested that normal rate should be counted on overall construction area, which is higher than FSI by as much as 60%.

The Flat Cost of Construction for all buildings creates adverse impact on higher buildings

The cost of construction has increased sharply. The cost of construction is determined by PWD standards at the moment. However, the cost varies based on the heights of the buildings, complexity of the development and many other factors. The current approved rate of construction do not address the increased construction costs due to increased heights of the buildings, GST levied and no ITC. It is humbly suggested to set cost of construction for buildings of different heights. We suggest the following:

Height of Bldg. in mts.	Cost of Construction
Up to 32 m	Normal Rate + 18%GST
32 to 70 m	Normal Rate + 20% + 18%GST
70 to 120 m	Normal rate + 40% + 18%GST
More than 180 m	Normal rate + 50% + 18%GST

The normal rate should be calculated only on the construction area and not on FSI. Normal rate should be counted on overall construction area, which is higher than FSI by as much as 60%. The normal rate should be what is determined by PWD+18% GST. Also, we humbly suggest that the RERA has all the construction costs of various heights of the buildings in their database. The same should be used as the parameter to determine the construction cost.

Re-Calibrate IT/ITeS premises at 25% lesser than the Residential Rates

IT/ITeS Projects are calculated at par with commercial rates. It creates hurdles in development of the IT industry and affecting the GDP of the state. It is therefore suggested to **recalibrate the rates for IT/ITeS at 25% lesser than the residential RR rates.** This will boost the economy & IT/ITeS sector which will create more livelihoods in State and will increase the GDP.

Recommendations:

In light of these concerns, we urge you to consider a more conservative approach to revising the RR rates for 2025-26. By aligning with the affordability quotient, Maharashtra can continue to offer accessible housing options and maintain its competitive edge.

We recommend a thorough analysis and benchmarking of RR rates against other states to identify opportunities for restructuring that support affordability and economic growth. By doing so, Maharashtra can retain its status as a premier destination for both businesses and individuals, fostering a vibrant real estate market that benefits all stakeholders.

We trust that you will give due consideration to our recommendations and work towards a balanced solution that addresses the challenges faced by homebuyers and the real estate sector in Maharashtra.

Thank you for your attention to this important matter. We look forward to continued collaboration with your department to ensure the growth and prosperity of Maharashtra.

Yours sincerely,
For **CREDAI-MCHI**

Domnic Romell
President

Dhaval Ajmera
Hon. Secretary

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