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Jesal Shah

Ref. No. MCHI/PRES/24-25/093

Date: 03/09/2024

To
Shri. Devendra Fadnavis
Hon'ble Deputy Chief Minister
Government of Maharashtra
Mantralaya, Mumbai - 400032

04/09/2024
लिपिक
उपमुख्यमंत्री दफ्ते कार्यालय
महाराष्ट्र शासन
मंत्रालय, मुंबई ४०० ०३२

Subject: Request for Rationalization of Real Estate Premiums in Mumbai

Respected sir,

We are writing to you to draw your attention to a critical issue impacting the growth and sustainability of Mumbai's real estate sector—the high premiums and development charges currently imposed on real estate projects.

Mumbai, historically known as the financial capital of India, has been a beacon of economic progress and innovation. However, recent trends suggest that Mumbai's position is under threat from other emerging cities like Delhi NCR, Bengaluru, and Hyderabad, which offer a more affordable business environment and better living conditions. This shift is primarily driven by the disproportionately high premiums and approval charges that developers in Mumbai are required to pay. Mumbai city has emerged as the financial capital of India and the commercial hub of Maharashtra. Mumbai today, accounts for roughly \$ 1.5 billion of the state's GDP which is approximately a third of Maharashtra.

However, Mumbai is failing to provide the best to its large population due to a lack of affordable housing and the high cost of living. As a result, the slum density is sprawling across the length and breadth of the city. Adding to this plight is Mumbai's inability to offer large-scale development of business parks, IT parks to attract new businesses and skilled workforce. Instead, the city is witnessing a reverse trend where established industries and companies of Mumbai, are relocating to other cities forcing the existing city's skill pool to look at other places for livelihood options.

The following points, drawn from a recent report by CREDAI-MCHI, highlight why there is an urgent need to reconsider the premium structure in Mumbai:

1. Exorbitant Premiums: Mumbai developers pay up to 25 times more in premiums than their counterparts in Delhi NCR and up to 76 times more than those in Hyderabad. These high charges make it difficult for developers to offer affordable housing and office spaces, ultimately driving businesses and talent away from the city.

Maharashtra Chamber of Housing Industry

Maker Bhavan II, 4th 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

CREDAI-MCHI CHAPTERS : THANE | KALYAN-DOMBIVLI | MIRA BHAYANDAR | RAIGAD | NAVI MUMBAI |
BHIWANDI | PALGHAR BOISAR | SHAHAPUR-MURBAD | URAN-DRONAGIRI |
VASAI VIRAR | ALIBAG | KARJAT-KHALAPUR-KHOPOLI | YOUTH NMR

2. Impact on Affordability: The high costs of real estate development in Mumbai are passed on to homebuyers and tenants, making the city unaffordable for a large section of its population. The average price per square foot in Mumbai's prime locations far exceeds that of other metropolitan cities, exacerbating the housing crisis.

3. Economic Growth and Competitiveness: While cities like Hyderabad and Bengaluru have seen significant GDP growth (up to 75x and 37x respectively over the past two decades), Mumbai's growth has been relatively moderate at 20x. This disparity is largely due to the city's inability to provide a conducive environment for businesses and startups.

For E.g Recent Corporate Relocation: It is particularly concerning that some prominent technology companies, such as Zepto, have recently shifted their base from Mumbai to Bengaluru purely to save costs. This move underscores the growing difficulty for businesses to sustain operations in Mumbai due to the high premiums and overall cost of doing business.

4. Immediate Action: There is a pressing need to simplify and reduce the number of premiums in Mumbai. By adopting a more rational approach, including the reduction of premiums by at least 50%, we can make Mumbai more competitive, attract new investments, and retain its status as the financial powerhouse of India.

Rationalization of premiums would not only make housing and commercial spaces more affordable but also stimulate economic growth by attracting businesses and talent back to Mumbai. Moreover, the Government of Maharashtra could see a significant increase in revenue from the additional economic activity that this change would generate.

In conclusion, we respectfully urge the Government of Maharashtra to take decisive action to rationalize the premiums and development charges in Mumbai. This will be a crucial step towards ensuring that Mumbai remains the vibrant and dynamic city it has always been, capable of competing globally.

We would be grateful for an opportunity to discuss this matter further and explore potential solutions that will benefit both the city and its residents.

Thank you for your attention to this important issue.

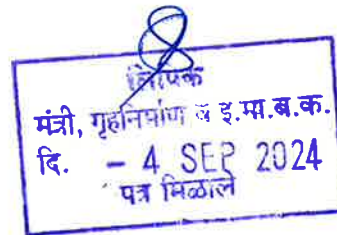
Yours sincerely,
For CREDAI-MCHI



Dominic Romell
President



Dhaval Ajmera
Hon. Secretary



CC:

- 1) **Shri Atul Save**
Hon'ble Housing Minister
Government of Maharashtra