

GUEST ARTICLE

Developers are now trying to provide premium amenities to the mid-income group at affordable prices says JACKBASTIAN NAZARETH, Group CEO, Puravankara Projects.



Affordably Premium

India's urban population is growing at an unprecedented rate. People from across the country are flocking to the cities in pursuit of better economic prospects. Whereas, there were 217 million people living in India's urban areas in 1992, the figure rose to 337 million in 2008, an increase of 30 per cent, at an annual growth rate of 2.5 per cent. The United Nations Population Fund (UNPFA) estimates that over 40 per cent of India's population will live in its cities by 2030.

Since 2000, property prices in India have risen exponentially. Between 2004 and 2006, urban housing prices increased at an average annual rate of 30-40 per cent, whereas salaries rose by only 20 per cent during the same period. Factors such as rising raw material and construction costs, scarcity of land, economic growth, increasing remittances by NRIs, contributed to the price escalation. Subsequently, the property market became unaffordable for sizeable sections of the middle and lower income segments.

Price escalation notwithstanding, owning a home remains a universal dream which transcends socio-economic strata. The burgeoning urban

population with its teeming middle-class has created significant demand for affordable housing. The Ministry of Housing estimated the shortfall in this segment to be 18 million urban housing units in 2012, projected to increase to 38 million units by 2030. As such, affordable housing is a compelling market dictate.

The term 'affordable' housing refers to residential units in India's urban areas, which are priced within the reach of the middle-income segment. Generally, properties in the Rs 25-50 lakh range across most cities fall under this bracket, with the exception of major metros, where the ticket size skews towards Rs 75 lakh. There is no set price-point that defines affordable housing – obviously,

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pricing is a function of variables such as city, location, type of project, construction technology employed etc.

The premium segment drove real estate category growth in the last decade. The affordable segment will catalyse growth in the coming years, offering immense potential both for real-estate and the economy as a whole. Real estate is one of India's fastest-growing sectors. Between the years 2003-08, it grew at an average annual rate of 30 per cent. It is a formidable pillar of the nation's growth, contributing \$12 billion, or 5 per cent of India's GDP.

One of the biggest stumbling blocks in the category is delays in approvals and project clearances. The resultant impact is postponement of project completion and cost increases, which developers, invariably, pass onto consumers. This is a singular impediment to the affordable housing proposition, which operates on thin margins. Cost increases put upward pressure on prices and consequently, the affordability factor is compromised.

Structural changes at the regulatory level, swift policy action, speedy single-window clearances for projects



Provident Sunworth – A premium affordable project by Purvankara in Bengaluru.

are much needed. In 2010, India ranked 133 out of 183 countries in terms of investment conduciveness. It placed 175 of 183 on the ease of obtaining construction permits. Policy reforms are imperative, to create a more favourable investment climate for the economy as a whole and the real-estate sector in particular.

A task force constituted in November 2012 by the Ministry of Housing and Urban Poverty Alleviation, to improve the housing shortage and promote affordable housing outlined six broad recommendations including: reducing timelines for approval of affordable housing projects, using inventory of state or city land holdings for affordable housing, increasing land availability for affordable housing projects, revising building codes and policy support for promotion of mass housing construction technologies. These recommenda-

tions, if implemented would fuel affordable housing development.

In 2008, we at Purvankara established Provident Housing, a wholly owned subsidiary, to address the demand for mid-income housing. The Provident proposition is innovative as it is not low-cost housing, but 'premium affordable housing.' These are premium homes made affordable following a value-engineering process that reins

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in costs. Equipped with all the modern attendant facilities, these projects are priced 25-30 per cent below comparable offerings in each market.

India is a young country, growing even younger. More than 50 per cent of the population is below the age of 25 years and the concept of nuclear families is gaining acceptance. I see much potential for the premium affordable housing proposition not only in metros but also in Tier I and II cities.

For a sizeable section of our population, the dream of owning a home has thus far been elusive owing to affordability. Affordable housing addresses the aspirations of middle-class Indians and makes their dream homes a reality. With the premium affordable Provident proposition, Puravankara is proud to contribute to the fulfilment of middle-class aspirations. This gives me personal gratification too.