

# Needed: a right mix to meet demand



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## Experts discuss the complexities of bridging the gap in the housing sector at a Mint conclave

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A shortage of affordable housing units and rising interest rates have made providing homes to people across the country a challenging issue. In 2001, the Census of India reported that the total deficit in housing across the country stood at about 24 million. For builders and lenders, the business of providing adequate housing is becoming a tricky one, especially with the Reserve Bank of India (RBI) increasing the interest rates 13 times in the past 12 months.

The complexities of bridging the gap in the housing sector were discussed by a group of experts at a *Mint* Clarity through Debate conclave.

The panel included **Getamber Anand**, vice-president of the Confederation of Real Estate Developers' Associations of India (Credai); **Maneesh Srivastava**, chief executive of Muthoot Housing Finance Ltd; **Naveen Raheja**, managing director of Raheja group; **Romi Roy**, senior consultant at Unified Traffic and Transportation Infrastructure (planning and engineering) Centre of the Delhi Development Authority; **Vidur Bharadwaj**, director of Three C Universal Developers Pvt. Ltd; and **Gaurav Karnik**, partner at Ernst and Young. The session was moderated by *Mint's* deputy managing editor Anil Padmanabhan. Edited excerpts:

### Is there a slowdown in the real estate sector?

**Anand:** The demand is real and there are numbers to prove it. Statistics say that we are 24 million houses short of demand. Due to the rate hikes, someone who was going to buy a house has become a fence sitter for the time being, keeping in mind that RBI has to cut rates, bringing them back to the levels they were one-and-a-half years ago. There is no dearth of demand. You have to have the right product at the right price, good value for money and you can't go wrong. There are buyers buying at

even the current interest rate, and not only in the Delhi National Capital Region (NCR) but all across the country. So, sales are happening.

**Srivastava:** There is no let-up in demand. Demand in itself is an isolated way of looking at it. What we need is the right product mix to meet the kind of demand. Fifty per cent demand for homes across urban India is in the upwards of the ₹10 lakh property category, the balance of the shortage is in the category below ₹10 lakh.

A buyer looks for the right price points when he buys in. In the housing finance business a lot of borrowing happens at interest rates that are floating. So a lot of buyers are certain that the interest rates will come down when RBI cuts its rates in an attempt to be fair to the buyer.

Mistaking temporary slowdown as absence of demand will be wrong. There is need for greater innovation to satisfy demand at the right price points. The need of the hour is to look at price minus planning rather than cost plus planning.

**Raheja:** The problem of not giving a house to every individual is a great pity for our country. Please have a relook at the planning process of the systems and bylaws. Let us make available land banks there with the government, and finance. If you take money from the system, which facilitates a person



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**VIDUR BHARADWAJ**  
Director, Three C Universal Developers



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**GETAMBER ANAND**  
Vice-president Credai

to invest in property, you are flushing out the liquidity from the system, which will bring down prices and inflation. Real estate has got linkages with 200-plus industries—both forward and backward. Your economy will also grow. There is a need for a relook at planning norms and country-specific and region-specific requirements.

With the prices of raw mate-



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**GAURAV KARNIK**  
Partner at Ernst and Young



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**MANEESH SRIVASTAVA**  
CEO Muthoot Housing Finance

rials increasing, is the developer at the receiving end?

**Anand:** Most data today are from listed companies. In the entire spectrum of real estate, only 6% of the companies are listed. Their story might not be the same as that of the remaining 94% of developers. When we speak of real estate we speak only of Delhi, Mumbai or Bangalore. But there is a boom across the country. The only



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**Romi Roy**  
Consultant, DDA



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**NAVEEN RAHEJA**  
Managing director, Raheja group

pain is to the customer, who has now borrowed more expensive money. He bares the increased cost of materials, not the developer. Across the country, the price point is between ₹3,500-5,500 per sq. ft, depending on the location and cost of land. The real increase in cost is that of material, which has hit all developers. So we are looking at lesser margins.

**Srivastava:** What developers offer these days is housing with all the amenities while all the customer wants is a modest roof. There will be takers if you take the frills out of the housing.

Is it feasible for Delhi to go vertical?

**Raheja:** To go vertical, all we need is better infrastructure and more accessibility. Clearances are the biggest problem due to the multiplicity of agencies involved.

**Anand:** New infrastructure can be done in a new place, not in an already existing place. You cannot go vertical in an area like Greater Kailash in Delhi, which is already densely spread. It will not be able to sustain the increased load of even basic services like sewage and waste disposal.

**Roy:** In taller buildings, since the density is higher, decent infrastructure becomes feasible. Since there is more sewage generated, the efficiency of recycling also goes up.

We do not want to take a

large amount of land and build two low-income housing groups. This creates a ghetto of poverty and that generates crime. East Delhi is an example of how mix has coexisted.

The ministry of urban development has mandated a Common Mobility Plan (CMP). It should have mandated a CMP with a common land use plan for holistic development.

**Srivastava:** We need to go moderately vertical. We cannot build skyscrapers across the city. Infrastructure for a particular locality is already built for a certain number of people. So, one has to decide how much more that area can take and how high it can go. We can't uproot people from their source of livelihood. If there is a master plan which provides houses to the higher income group as well as to the support group living in a modest accommodation, it provides for a sustainable model.

The key takeaways from the session were:

**Bharadwaj:** Real estate developers are good guys and banks are the bad guys. And the government is somewhere in the middle. There is a demand and the correct kind of development at correct prices is continuing to do well.

**Srivastava:** If you look at the macro picture, look at people without houses and at those who want to construct them, matching the demand with the right kind of product will be one of the key factors. There are implementation challenges which don't have easy solutions. The larger aspect on the entire debate on urban planning needs to be brought into the picture to be able to provide properties at the right kind of price points.

**Raheja:** Real estate is the safest dependable asset which gives the highest returns. Please have a relook at the last two to three decades, the money made is because of purchases of property.

**Roy:** First is that there is a need to attract talent into the government. If you want a good plan, good policy and progressiveness to come in, you need to attract talent. Second, the decision-making process in the country has to be more democratic, which it is not. It's not transparent. What policy is being chalked out no one knows.

**Karnik:** We need 52 approvals for a project to get off the ground. The second issue is more institutional. You look at bank lending and keep saying that banks are not lending. Alternative sources of finance need to be looked at. If you institutionalize this sort of funding through real estate investment trust, it could even address the problems of rental demand. Third is infrastructure. We really need the infrastructure first and build up, so that we can provide housing for everybody.

**Anand:** There are three businesses that can never really go wrong—*roti, kapda aur makaan* (food, clothing and shelter). The perception about real estate has to change in your minds. If there can be a Satyam in the IT sector and that doesn't make the entire sector bad, just a few bad stories in the real estate don't make the entire sector questionable. There are good developers who follow very good governance even if they are not listed.

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