

For Immediate Release

## **Additional 25 million affordable units will be required by 2030, estimates RICS – Knight Frank Report**

**New Delhi, 30<sup>th</sup> July, 2019:** RICS (Royal Institution of Chartered Surveyors) in association with international property consultant **Knight Frank** today released a report “**Brick by brick- Moving towards ‘Housing for All’**”. The RICS – Knight Frank report estimates that the current housing shortage in urban areas is around **10 million units**. Most of the housing shortage lies in the Economically Weaker Section (EWS) and Lower Income Group Segment (LIG). It quotes that as of July 2019, **8.36 million houses** have been sanctioned under the “Housing for All by 2022” initiative. Construction for **4.9 million units** has begun and **2.6 million units** of which have been completed. Given the past trend, additional **1.64 million houses** are likely to be sanctioned by December 2019, making it highly possible to achieve the 10 million houses target by 2022. Projected subsidy disbursement over next 3 year for the same is projected to INR 1 trillion.

The latest RICS – Knight Frank report estimates that by the year 2030 more than 40% of the Indian population will live in urban India as against current figure of 34% which is likely to create a demand for **25 million additional affordable units**. However, to address the huge demand, a subsidy-based approach may not be enough for maintaining sustained growth in the affordable housing segment. India’s urban housing shortage is being primarily driven by the EWS and LIG categories. An analysis of the demand supply shows, that on an average, nearly 0.6 million homes are required every year in the top eight cities versus a supply of 0.2 million units per year. There is a huge supply gap for urban housing and more so in the EWS and LIG category, i.e. houses with ticket size less than 2.5 million. Whereas, the demand in the EWS and LIG category is around 0.34 million. Shortcomings leading to shortage of affordable housing are unavailability of urban land for affordable housing and lengthy statutory clearance and approval processes

Financing for affordable housing can be broadly classified into- debt, equity and subsidy. From Fresh disbursements of HFCs and Scheduled Commercial Banks (SCBs), it is evident that the share of EWS sector in new disbursements has come down each financial year from 21% in FY 2013 to just 10% in FY 2018. Moreover, even the share of LIG sector in fresh disbursements has also declined from 39% in FY 2013 to 33% in FY 2018.

### **HOME LOAN DISBURSALS**

<b>Fresh disbursements of HFCs and SCBs</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY 2018</b>
Share of EWS sector	21%	16%	14%	12%	14%	10%
Share of LIG sector	39%	38%	37%	37%	35%	33%
Total disbursements ( ` mn)	1,996,210	2,459,110	2,818,260	3,158,583	3,799,906	4,823,538

Source: Knight Frank Research

Since 2014, around USD 34 billion has been invested in Indian real estate across debt and equity. Commercial segments, which comprises office, retail and warehousing, has garnered majority share of this in the form of equity investments. The residential segment had 31% share and most of it was in the form of debt.

## PRIVATE EQUITY TRENDS IN RESIDENTIAL

	2014	2015	2016	2017	2018	H12019
Investment into residential as a percentage of overall PE investments	41%	51%	50%	24%	16%	17%
Affordable housing (as a percentage of PE investment into residential)	-	11%	3%	20%	60%	62%

Source: Knight Frank Research, Venture intelligence

## RENTAL HOUSING MARKET- Missing piece of the puzzle

The report also touches up Rental Housing Market and as per Census 2011, over 21 million (27.5%) urban households live in rented accommodations. The rental housing market is therefore projected to grow at a faster rate than rate of urbanisation over the next 20 years. The population living in rental housing has no willingness to own and landowners find rental housing unattractive due to Low residential yields, high risk of property litigation and cost of transaction, which leads to a high number of vacant houses in large urban centres

## VACANT HOME

City	Mumbai	Delhi	Bengaluru	Pune	Ahmedabad	Jaipur
No. of Vacant Houses	5,00,000	3,00,000	3,00,000	2,00,000	2,00,000	1,20,000
City	Hyderabad	Kolkata	Bhopal	Gurugram	Lucknow	Ghaziabad
No. of Vacant Houses	1,00,000	80,000	75,000	75,000	65,000	55,000

Source: Knight Frank Research

The report further goes to suggest strategies that can adapted for developing rental housing in urban India.

- **Channelising Government Owned Land for Rental Housing Development:** The government has significant volumes of underutilised lands, if a portion of these land masses is utilised by the government or its agency for development of rental housing properties, the incremental cost to government would be limited to only the construction cost.
- **Rental Management Companies to Pool Private Houses:** There is an opportunity for promoting public/private rental housing management companies, who in turn pool private properties to a common marketplace, where prospective tenants can select the properties of their choice, this would significantly bring down the risks through professional management and lower pooled risks.

Knight Frank experts highlight that with “Housing for All” insight and the government moving to achieve the target, it is imperative to address the root cause of future housing shortage and suggests some counters to attack the challenge.

- **Transitional buffer housing stock:** Metro cities in India welcome thousands of migrants everyday who come to urban centres for job opportunities, education or simply for better lifestyle. Migrants

belonging to lower income groups find it very difficult to find a shelter in the city due to high price of urban houses. Transitional buffer housing or short-term housing can be an appropriate solution to address this issue.

- **Shorter tenure titles:** Properties, if offered with an initial tenure of 30 years with an option to extend the lease for an additional period of 30 years on payment of renewal premium, can be priced 20% lower than a similar long tenure property. Such a tool can be effectively used in subsidised housing on the principle of government subsidising the housing need of a household for a period of 30 years, post which the housing unit can revert to a common pool of public housing
- **Rent to own:** Often the prospective buyers do not have sufficient funds to complete the equity component of a transaction. In all such situations rent to own contracts can come in handy. They allow a person, even if one is unable to afford a mortgage on the whole of the current house value, to purchase a partial share of the house and pay rent on the remaining share.
- **Housing boards 2.0 -Rental development and management companies:** Prime government owned land parcels continue to be under sub-optimal usage in the hands of port trusts and agricultural collages If housing boards are able to mobilise a fraction of these underutilised lands for the development of rental housing developments, the incremental cost to government would be restricted to construction cost of these properties.
- **Zoning reforms to address land market imperfections:** Land use zoning can be used as a successful tool to create an inclusive urban fabric. Inclusionary Zoning (IZ) is a land-use planning tool which reserves land or earmarks zone to be exclusively used for affordable housing purpose.

**Nimish Gupta FRICS, Managing Director, South Asia – RICS said,** *“It is heartening to note that the government is set to achieve the target 10 million by 2022, which is an unparalleled achievement, globally! Going by the rate of urbanization this requirement will grow 2 ½ times to 25 million urban affordable houses. Hence, the sector has to devise sustainable growth model, with private and public development agencies collaborating to create an ideal ecosystem. The proposed mechanism should provide the ideal bridge between the crying demand for housing and the willingness of the developers to meet that in the regulated environment through professional practices.”*

**Shishir Baijal, Chairman and Managing Director of Knight Frank India,** *“Affordable housing is a high potential segment that the private development companies are yet to explore to its potential. Unlike other segments of housing, affordable housing poses an interesting challenge involving strategies at all levels. Given the requisite volume, this category may need to look at innovative solutions right across the stages of development including statutory clearance, design, building and construction management along with marketing and sale. We feel, a differentiated approach towards affordable housing will hold the key to its ultimate success and profitability.”*

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#### **About Knight Frank:**

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 18,170 people operating from over 523 offices across 60 markets. These figures include Newmark Grubb Knight Frank in the Americas, and Douglas Elliman Fine Homes in the USA. The Group advises clients ranging from individual owners and buyers to

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#### **About RICS:**

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

Website: <https://www.rics.org>

#### **For further information please contact people**

##### **Contact for Knight Frank India**

**Piyali Dasgupta (Knight Frank)**

+91 9833571204

[piyali.dasgupta@in.knightfrank.com](mailto:piyali.dasgupta@in.knightfrank.com)

**Urvi Bhanushali (White Marque Solutions)**

+91 9879791928

[urvi@whitemarquesolutions.com](mailto:urvi@whitemarquesolutions.com)

##### **Contact for RICS**

**Ms. Anjali Shrivastava (RICS)**

Head, Corporate Engagement

[ashrivastava@rics.org](mailto:ashrivastava@rics.org)

+91 8527914445

**Ms. Sarmistha Paul**

[Sarmistha.paul@armworldwide.com](mailto:Sarmistha.paul@armworldwide.com)

+91 9899167837

**Ms. Divita Bali**

[divita.bali@armworldwide.com](mailto:divita.bali@armworldwide.com)

+91 9582864500