

# AFFORDABLE HOUSING IN INDIA

Emerging Trends, Growth Drivers and New Opportunities

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## Executive Summary

The affordable housing sector in India is going through interesting times. The sector has witnessed a surge in activities in the past couple of years in terms of policy & regulations, incentives and schemes, and project uptake. While a huge demand-supply gap exists, rising government expenditure and increasing private sector interest are expected to provide the much needed impetus to the sector. Besides, focus on the deployment of innovative technology and design solutions will further drive growth into the market. This report will highlight various aspects of the affordable housing market including the market size, emerging opportunities, the scope for private sector and the growing role of new technologies and designs.

## SECTION I: MARKET TRENDS AND DEVELOPMENTS

### 1. Housing Market Overview

The accelerating urbanisation has put tremendous pressure on civic infrastructure, particularly housing. In the last couple of years, the government has introduced a number of measures and initiatives to step up investments in the affordable housing segment. Steps are also being taken to increase private sector involvement in the segment. There has been notable progress under various central schemes. Besides, there has been consistent focus on deployment of new technologies, designs and materials. This chapter will attempt to provide a snapshot of the housing market by covering the following areas:

- ❖ Urbanisation and Demographic Trends
- ❖ Current Infrastructure/Scenario
- ❖ Institutional Structure
- ❖ Policy and Regulatory Framework
- ❖ Growth Drivers
- ❖ Key Trends
- ❖ Recent Government Initiatives
- ❖ Upcoming Opportunities
- ❖ Future Outlook
- ❖ Issues and Challenges

### 2. Demand and Supply Indicators

The gap of housing demand and supply has widened over the years. Growing houseless population and households in both urban and rural centres are key factors contributing to housing shortage. Besides, shortage of land is another major factor contributing to the growing demand-supply gap. This chapter will analyse the following market indicators:

- ❖ Demand and Supply Gap (Overall, State-wise)
- ❖ Urban and Rural Demand and Supply
- ❖ Affordable Housing Demand and Supply
- ❖ Households versus Housing Stock
- ❖ Houses by Habitable Conditions
- ❖ House Congestion
- ❖ Affordable Rental Housing Market

### 3. Impact of New Policy Developments

The government has undertaken a number of new initiatives to meet the housing demand with supply and address the affordability issues for the middle and lower income groups. Lending rates have declined, period to avail credit linked subsidy scheme has been extended and tax incentives have been introduced. Besides, incentives such as grant of infrastructure status to the affordable housing segment and concessional GST rates are expected to play a big role in attracting private investments. These initiatives are likely to incentivise the developers by giving easier access to cheaper sources of funding.

This chapter will attempt to discuss the impact of the following policies/initiatives:

- ❖ Infrastructure Status to Affordable Housing
- ❖ Impact of GST
- ❖ RBI's Priority Sector Lending Norms
- ❖ Union Budget 2018-19 - Announcements and Expected Impact
- ❖ Credit-Linked Subsidy Scheme
- ❖ RERA Act
- ❖ Impact of the Smart Cities Mission
- ❖ Other Policy and Regulatory Announcements (tax incentives, increase in carpet area, etc.)
- ❖ Unresolved Legal and Regulatory Issues

### 4. Private Sector Experience and PPP Potential

A new PPP Policy has been announced to attract private investments. Eight PPP models have been introduced to help leverage the under-utilised and unutilised private and public land. The affordable housing unit sizes have been redefined and tax exemptions have been allowed, making the sector lucrative for developers. This chapter will provide a holistic view of the private sector development in affordable housing through two sections:

- ❖ PPP Policy and New Models
  - Impact of the New Policy
  - Snapshot of Eight Models
  - Incentives for PPP
  - Successful Global Models/Case Studies

**Industry Expectations:** Views of key private sector players in the affordable housing industry on the new PPP models and their potential.

- ❖ Experience so Far
  - Current Scenario
  - Investments Mobilised
  - Key Projects (Completed and Under Implementation)
  - Upcoming Opportunities
  - Unresolved Issues

### 5. Project Economics and Investment Experience

The housing finance market has continued to report robust growth despite the overall economic slowdown. Increasing access to capital markets, introduction of long-term funds and subsidy schemes, and liberalised foreign direct investment regime are the key measures undertaken to boost the housing finance segment. Besides, institutional private equity investors have also emerged as important sources of funding for the segment. This chapter will attempt to provide a snapshot of the costs, returns and financing in the sector.

- ❖ Experience So far
- ❖ Factors Impacting Project Viability/Profitability
- ❖ Key Cost Components
- ❖ Project IRRs (Historical and Expected)
- ❖ Funding Sources
- ❖ Growing Interest from Private Equity/Institutional Investors
- ❖ New Financing Instruments
- ❖ Investment Projections (till 2023-24)
- ❖ Issues and Challenges

### 6. Central Level Schemes: Progress and Opportunities

The central government through its various schemes and projects is playing a key role in driving investments into the affordable housing segment. In the course of the past few years, notable progress has been made under these schemes, with the release of funds from the central government, and completion as well as approval and

announcement of several projects. This chapter will provide an analysis of each of the following schemes:

- ❖ Pradhan Mantri Awas Yojna - Housing for All (Urban)
- ❖ Pradhan Mantri Awas Yojna - Gramin
- ❖ Deen Dayal Antodya Yojna - National Urban Livelihoods Mission
- ❖ Integrated Housing and Slum Redevelopment Programme

*(Each of the schemes will cover details about the scope of each scheme, investment requirements, progress so far, completed and ongoing projects, key projects announced, targets and timelines, housing stock addition, and market opportunities for key players).*

## 7. Construction Materials, Design and Techniques

There is also increased focus on the implementation of projects with innovative designs and technologies and new construction techniques. Many private developers are considering deploying new mass housing construction techniques such as pre-fabricated (Prefab) and pre-engineered buildings. The industry is also deploying the latest equipment and materials for improving the durability and strength of structures. This chapter will cover the following areas:

- ❖ Current Practices in Design and Construction
- ❖ New Construction Techniques
- ❖ Global Best Practices
- ❖ Advancements and Developments in Technology
- ❖ Trends in Material and Equipment Usage
- ❖ New Green Materials and Innovations
- ❖ Segment Outlook

## SECTION II: OUTLOOK, PROJECTIONS AND OPPORTUNITIES

### 8. Demand and Supply Projections (till 2023-24)

The affordable housing segment will continue to offer significant opportunity in the next few years. Factors such as huge housing shortage, accelerating urbanisation, continued government support, easy fund availability, favourable policy environment will drive the demand for affordable housing in the country. This chapter will provide the demand and supply side projections.

- ❖ Growth Drivers
- ❖ Housing Stock Requirement by 2023-24 (By Region and States)
- ❖ Housing Supply Projections
- ❖ Land Requirement
- ❖ Projections for Material and Equipment Requirements
- ❖ Sector Outlook

### 9. Project Pipeline

The affordable housing segment offers a robust project pipeline. Several new projects have been approved under various schemes being implemented at the central and state levels. A number of private players have outlined plans for developing new housing projects. This chapter will highlight the upcoming projects in the sector.

- ❖ Overall Project Pipeline
- ❖ Project Pipeline by State
- ❖ By Ownership (Central Level, State Level and Private Sector Projects)
- ❖ By Stage of Development (Ongoing, Awarded, Announced, Planned/Proposed)

### 10. Top Markets for Affordable Housing

The real estate sector has been through a prolonged slump. Developments in the affordable housing segment have triggered project activity across cities. Thus far, cities including Hyderabad, Ahmedabad and the National Capital Region have emerged as thriving investment destinations for the private sector players looking to invest in the

affordable housing segment. This chapter will attempt to cover profiles of 8-10 key cities (Tier I and II) based on the following:

- ❖ Real Estate Profile
- ❖ Experience in Affordable Housing (Completed and Ongoing Projects)
- ❖ Demographic Profile
- ❖ State of Existing Infrastructure and Connectivity
- ❖ Upcoming Big-ticket Investments
- ❖ Major Players
- ❖ Sector Outlook

### 11. Market Opportunities (till 2023-24)

Given the robust project pipeline, the affordable housing segment provides significant market opportunities to all stakeholders in the sector in the next 4-5 years. This chapter will highlight the opportunities across various schemes and for various stakeholders in the sector.

- ❖ Under Key Schemes/Projects (Central, State Level and Private Sector Developers)
- ❖ For Key Stakeholders
  - EPC Contractors
  - Technology Providers
  - Equipment Suppliers
  - Project Developers
  - Material Suppliers
  - Consultants

## SECTION III: FOCUS ON STATE INITIATIVES

### 12. Major State Profiles

In the past couple of years, the state governments have been undertaking a number of initiatives to bridge the gap between demand and supply of affordable housing. A number of new projects are under construction. Many more have been approved for implementation in the future. Besides, states are also implementing new policies and schemes to meet the growing demand for affordable houses. This chapter will cover profiles of 15 states. Each state profile will give an overview of the housing scenario, role of key agencies and housing boards, state policy on affordable housing, new initiatives and incentives introduced, and ongoing and upcoming housing schemes/projects.

- ❖ Andhra Pradesh
- ❖ Chhattisgarh
- ❖ Gujarat
- ❖ Jharkhand
- ❖ Madhya Pradesh
- ❖ Rajasthan
- ❖ Telangana
- ❖ West Bengal
- ❖ Bihar
- ❖ Delhi
- ❖ Haryana
- ❖ Karnataka
- ❖ Maharashtra
- ❖ Tamil Nadu
- ❖ Uttar Pradesh

## SECTION IV: PROFILES OF KEY PLAYERS

### 13. Key Players

A large number of developers are making inroads into the affordable housing segment and are finding it lucrative as the government is providing new incentives to boost supply of affordable houses. This chapter will have 10-15 profiles of key players in India covering the following:

- ❖ Company Overview
- ❖ Project Portfolio (Completed and Ongoing Projects)
- ❖ Upcoming Projects
- ❖ Financial Performance
- ❖ Future Plans

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