

The Right Price

'Affordable housing' is the phrase on everyone's lips today but what does it really mean, asks Archana Sinha

Since September 2008 a number of developers have launched large projects under the affordable housing schemes around the developing suburbs of Vasai, Virar, Naigaon, Thane Dombivli and Navi Mumbai, Most of them are being offered within large townships and the starting range of these homes are anywhere from Rs. 15 to 18 lakh for a 500 sq ft home.

However due to the lack of an official definition for 'affordable housing' provided by either the government or any housing agency the term is often misunderstood.

According to CRISIL Research, which recently released a 10-city report on the real estate market, 'affordable housing' is a dwelling unit that can be afforded by a majority of households in a city (assuming 60 per cent of the households can afford a house). CRISIL Research's 'Affordable Housing: Deciphered' by Sudhir Nair, head, CRISIL Research and Prashu Bareda, analyst, assumes that the bottom 40 per cent of households (termed as 'low-income category') would be unable to afford a house, whereas the top 20 per cent (termed as 'high-income category') within a city have the funds to buy any house, located anywhere in the city.

Hence the target segment for this is the 'mid-income' category.

To arrive at the values of these homes the cities were put into three groups: GI, GII and GIII, based upon the size of the total income generated by households in the particular city. GI represents the top cities like Mumbai, Kolkata, Delhi, Chennai, Hyderabad and Bengaluru, GII represents second level cities Pune, Ahmedabad, and other such cities while GIII comprises urban cities like Ujjain, Aurangabad and more. Accordingly, the prices of the homes are below 18, 16 and 9 lakhs, respectively.

Mayur Shah, MD, Marathon Group airing similar views says, "Typically it is eight to 10 times the value of annual income. But it differs from one place to another. What is affordable in Mumbai may not be really affordable in Nashik or Pune. On a national average, affordable housing is anything between Rs 5-15 lakhs but in Mumbai, projects within the range of Rs 15-40 lakhs can be called affordable. In certain areas in Mumbai city itself, people would even find properties between Rs 50 lakh to 1 crore affordable, especially areas close to the CBDs."

Explaining this, Abhinandan Lodha, Director, Lodha Group, says, "Affordable housing has broken into two portions - one that is driven by geographical boundary and class and the other is mid-income housing within Rs 30 lakh, which is the real affordable housing."

Kaizad Hateria, VP, marketing, Rustomjee group says, "When we launched our project in Virar, we conducted research for three years to understand the customers' profile. It was typically a young couple starting their family with an income group ranging from Rs. 15,000 per month up to Rs. 30,000 to 40,000 per month. The railroad connectivity of Virar is going to improve tremendously within the next few years from places like Dahanu, Surat, Thane and other places and the government is planning to set up an SEZ. All these convinced us about the feasibility of the project. The future belongs to this group, which requires 24 million housing units by 2015.

Milan Kothary, MD, GVA Intercapitalis says, "Dozens of real estate developers have announced homes at below Rs.25 lakhs Huge auction of government-built flats in Delhi and Mumbai too has played a role in contributing to the growth of 'affordable housing'. Recent property exhibitions all over India displayed several ongoing and future housing projects in the Rs.20 lakh range. Most online portals also claim that there is a growing interest among online visitors to search for houses in the mid-price range of Rs.15-Rs.25 lakh."

Kothary adds, "These should be easily affordable and within the buying reach of the middle and lower income group in sufficient volumes. This is the segment that comprises a large chunk of the Indian population. The reduction of prices of units should be supported by a reduction in stamp duty, registration charges, property taxes because buying a house is one part of the story while paying maintenance throughout the lifetime is yet another."

Abhinandan Lodha says, "Affordable housing doesn't mean lower class or lower quality of

construction. The new affordable projects come with top-end amenities. And considering the huge demand that these projects have garnered, affordable housing looks very promising and sustainable in the long run."

However the term affordability could be redundant if they are way outside city limits and too much time and money is wasted in travelling.

Kaizad Hateria says, "It is almost impossible to bring up such housing within the city limits as we know of now because land prices are too high. But most of this housing is being planned keeping in mind the future development of the areas, which will be self-sufficient in terms of offering work and entertainment very close to the housing. Most projects are being planned with commercial and retail areas fully envisaged. In the next five years the concept of living will acquire a whole new meaning."

Quick BYTES

The definitions of 'affordable housing' vary; what is affordable in Mumbai may not be so in Nashik or Pune

