

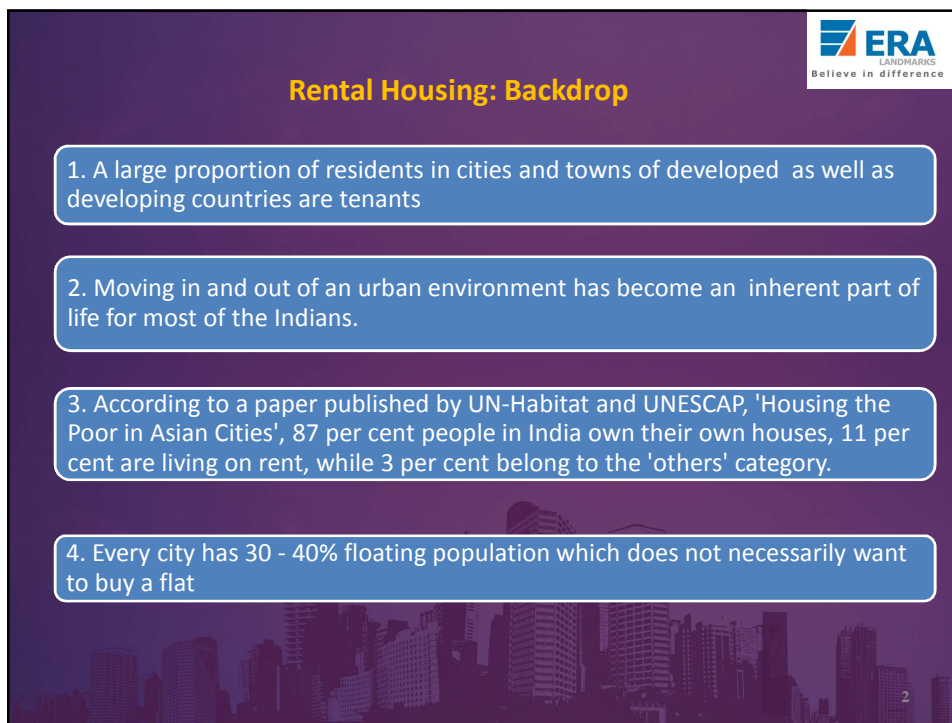
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RENTAL HOUSING IN INDIA : ROADBLOCKS AND SOLUTIONS

**10th National Convention and NAREDCO Realty Exhibition
on 8th January 2011
at
Convention Hall, The Ashok, Chanakyapuri, New Delhi.**

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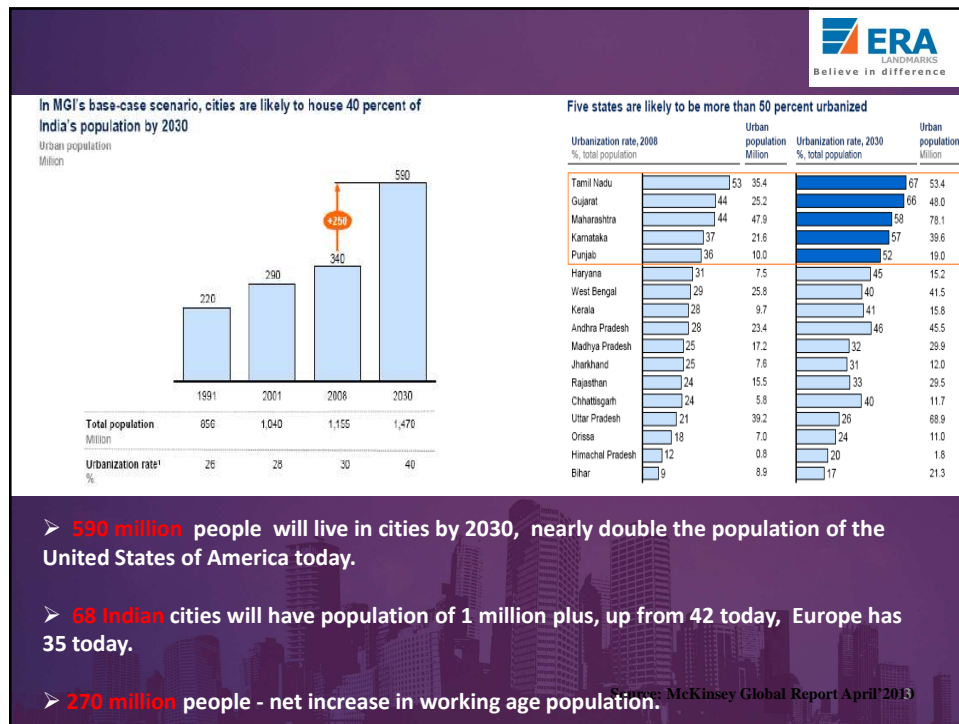


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Rental Housing: Backdrop

1. A large proportion of residents in cities and towns of developed as well as developing countries are tenants
2. Moving in and out of an urban environment has become an inherent part of life for most of the Indians.
3. According to a paper published by UN-Habitat and UNESCAP, 'Housing the Poor in Asian Cities', 87 per cent people in India own their own houses, 11 per cent are living on rent, while 3 per cent belong to the 'others' category.
4. Every city has 30 - 40% floating population which does not necessarily want to buy a flat

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Ratio of residential property ownership for selected Countries and Cities (%)



| COUNTRIES | | | | CITIES | | | |
|---------------------|-------|--------|--------|------------|-------|--------|--------|
| Africa | | | | | | | |
| | Owned | Rented | Others | | Owned | Rented | Others |
| Egypt | 77 | 22 | 2 | Jon'burg | 55 | 42 | 3 |
| South Africa | 69 | 31 | - | Cairo | 37 | 63 | - |
| Asia | | | | | | | |
| India | 87 | 11 | 3 | Bangalore | 43 | 55 | 2 |
| Thailand | 87 | 13 | - | Bangkok | 54 | 41 | 5 |
| Latin America | | | | | | | |
| Bolivia | 60 | 18 | 22 | Santa Cruz | 48 | 27 | 25 |
| Brazil | 74 | 25 | 11 | Sao Paolo | 70 | 20 | 10 |
| Developed Countries | | | | | | | |
| Germany | 40 | 60 | - | Berlin | 11 | 89 | - |
| The Netherlands | 53 | 47 | - | Rotterdam | 26 | 49 | 25 |
| United Kingdom | 69 | 31 | - | London | 58 | 41 | - |
| U.S.A | 66 | 34 | - | New York | 45 | 55 | - |

Source: UNCHS, 2003; Kumar, 2001

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Escalation in Rental Values in FY 2010 in selected Cities and Places (%)

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| CITIES | | PLACES | |
|-----------|---------------------|---------------|----------------|
| | Avg. Escalation (%) | | Escalation (%) |
| Delhi | 12 | Saket | 31 |
| | | Malviyanagar | 20 |
| Mumbai | 12 | Khar | 20 |
| | | Andheri West | 20 |
| Pune | | Koregaon Park | 22 |
| Bangalore | | Airport Road | 15 |

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Source: 99 acres.com

Reasons for high escalation of rental value in Tier I and II cities

1. Economic revival and boosting of business sector
2. Huge rate of inward migrant mainly because of young and mobile workforce has been moving location in search of jobs
3. Easy connectivity and improved infrastructure facility

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Complexity in Rental Housing

1. Difficult to discern from owner-occupied housing
 - Spread over every economic strata of the housing market
 - Densely-built old city quarters
 - Public sector housing
 - Housing schemes for civil servants
 - Private sector housing
 - Slum settlements in peri-urban land subdivisions and in semi-rural commuter settlements.
2. Extremely dispersed geographically
 - Commercial holding of land and housing multiplied the possibilities for tenancy
 - Tenure options spread and diversified from inner-city tenements to peripheral informal settlements.

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Complexity in Rental Housing

3. Private landlords often resemble their tenants

- Landlords often live on the same premises

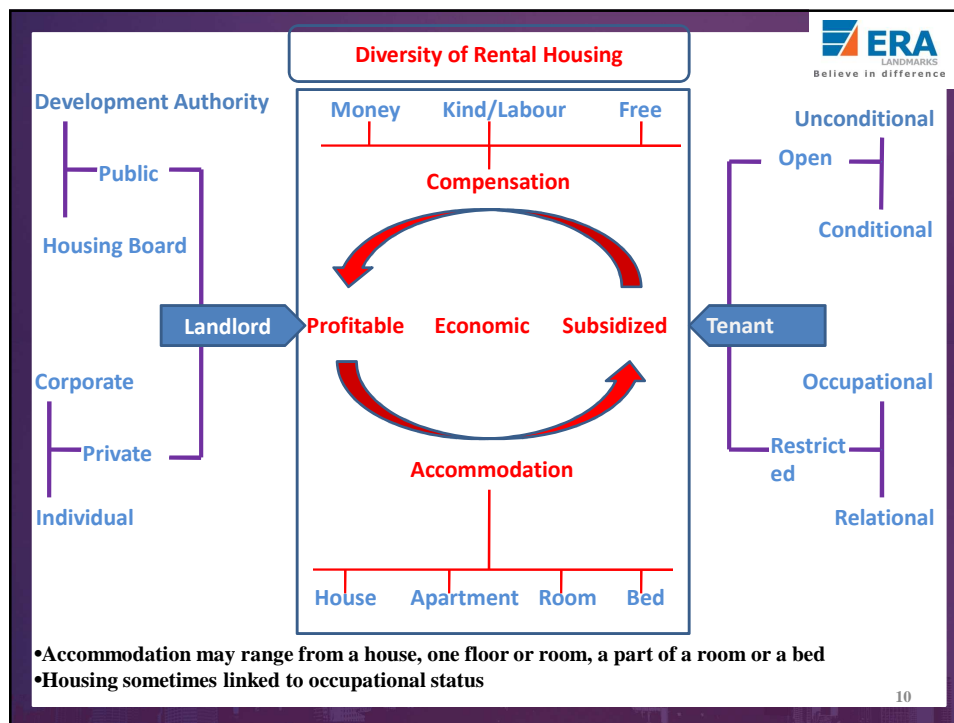
4. Fear of government restraints

- Both landlords and tenants deliberately keep rental housing invisible
- The efficacy of rental housing is affected by repressive planning policies

5. Personal nature of rental agreement

- Personal Agreement whose details may not even be known to other tenant

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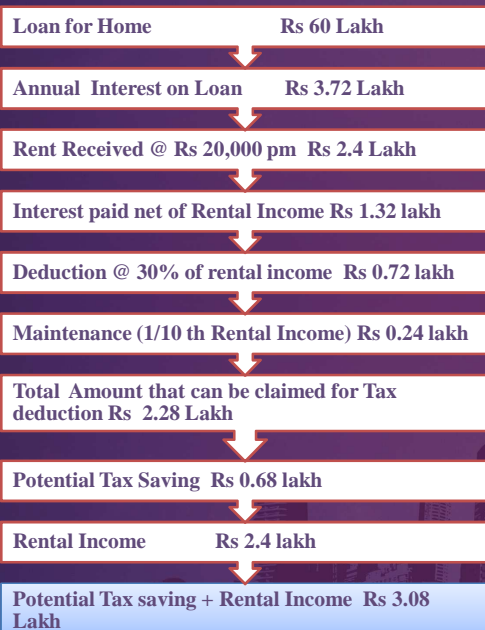


Predicaments

1. Yields are very low
2. No clear planning mechanism in place
3. Rent Acts are in favor of tenants

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Impact of Tax on Buying Second Home



EMI * 12 = Rs 6.72 Lakh

Maintenance = Rs 0.24 Lakh

What One spends (Annually) = Rs 6.96 Lakh

Actual Outflow = (Rs 6.96 Lakh – Rs 3.08 Lakh) = 3.88 Lakh

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Affordable Rental Housing State Environmental Planning Policy (SEPP) by New South Wales, Australia

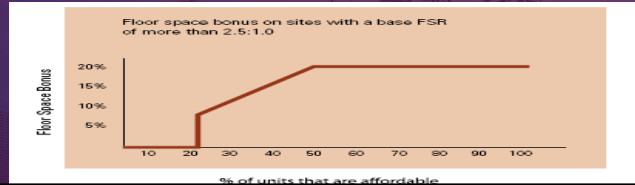


Objectives

- Encourages partnerships between private and not-for-profit housing providers to deliver a new supply of affordable housing
- Assists in the provision of affordable housing closer to major employment areas, consistent with the State Plan
- Mitigates against the loss of any existing affordable housing
- Positions NSW to be a beneficiary of major Australian Government housing funding programs
- Supports innovative affordable housing styles, including granny flats and new generation boarding houses
- Delivers good urban design outcomes.

Funding programs to support affordable housing

- Nation Building Economic Stimulus Plan
- National Rental Affordability Scheme



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Initiative in Rental Housing in India

MMRDA Model

- Mumbai based real estate developer HDIL and Mumbai Metropolitan Region Development Authority joined hands to provide rental housing to about 43,000 low-income families
- They will develop 525 acres of land in Virar, the northern suburb of Mumbai. HDIL will construct these houses and hand it free of cost to MMRDA, which in turn will rent them out at its terms and conditions
- These properties are built specifically for the purpose of renting and will be owned by real estate investment trusts (REITs) or corporate, and not by individuals. For India, this is the first initiative of its kind.

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Solutions

1. Additional FSI as Incentives
2. Transfer of TDR
3. Tax incentive to buy second home for letting purpose
4. Introducing REITs and REMFs in Indian Market

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Thank You

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